

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2019**

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

Introduction

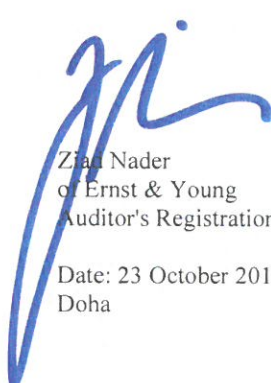
We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity & Water Company Q.P.S.C. (the "Company") and its subsidiaries (the "Group") as at 30 September 2019, comprising of the interim consolidated statement of financial position as at 30 September 2019 and the related interim consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month period ended 30 September 2019, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the nine-month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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



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

Date: 23 October 2019
Doha



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

		30 September 2019 QAR '000 (Reviewed)	31 December 2018 QAR '000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,605,824	5,750,268
Intangible assets and goodwill		92,007	96,485
Investments in joint ventures	7	4,049,204	4,717,616
Equity investment at fair value through other comprehensive income		1,918,949	1,558,553
Finance lease receivables	8	1,011,436	1,117,626
Positive fair value of interest rate swaps for hedging	12	602	37,236
Other assets		14,458	15,864
		<u>12,692,480</u>	<u>13,293,648</u>
Current assets			
Inventories		138,574	141,939
Trade and other receivables		529,065	491,852
Finance lease receivables	8	141,003	131,219
Positive fair value of interest rate swaps for hedging	12	310	8,157
Bank balances and cash	9	3,484,869	4,117,953
		<u>4,293,821</u>	<u>4,891,120</u>
TOTAL ASSETS		<u>16,986,301</u>	<u>18,184,768</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Hedge reserve	12	(2,130,983)	(1,053,585)
Fair value reserve		377,798	491,690
Retained earnings		6,223,338	6,125,641
		<u>9,361,987</u>	<u>10,455,580</u>
Equity attributable to equity holders of the parent		<u>9,361,987</u>	<u>10,455,580</u>
Non-controlling interest		260,781	257,674
Total Equity		<u>9,622,768</u>	<u>10,713,254</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2019

		30 September 2019 QAR '000 (Reviewed)	31 December 2018 QAR '000 (Audited)
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	11	4,218,128	4,365,963
Negative fair value of interest rate swaps for hedging	12	37,412	15,988
Employees' end of service benefits		88,861	68,962
Other payables	3	23,041	-
		4,367,442	4,450,913
Current liabilities			
Interest bearing loans and borrowings	11	2,432,715	2,443,820
Negative fair value of interest rate swaps for hedging	12	4,640	4,640
Trade and other payables		558,736	572,141
		2,996,091	3,020,601
Total liabilities		7,363,533	7,471,514
TOTAL EQUITY AND LIABILITIES		16,986,301	18,184,768

These interim condensed consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 23 October 2019.



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



Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month and nine-month period ended 30 September 2019

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2019</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2018</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2019</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2018</i> <i>QAR'000</i> <i>(Reviewed)</i>
Revenue from water and electricity	13	611,371	639,325	1,688,696	1,915,549
Lease interest		30,431	32,149	96,549	100,080
		<u>641,802</u>	<u>671,474</u>	<u>1,785,245</u>	<u>2,015,629</u>
Cost of sales		(418,344)	(405,673)	(1,135,261)	(1,098,893)
Gross profit		223,458	265,801	649,984	916,736
Other income		29,839	91,076	168,120	185,718
General and administrative expenses		(44,338)	(48,466)	(130,980)	(144,518)
Operating profit		208,959	308,411	687,124	957,936
Finance costs		(59,137)	(59,560)	(189,518)	(162,031)
Share of profit of joint ventures		188,485	102,539	474,652	382,637
Profit for the period		338,307	351,390	972,258	1,178,542
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Share of other comprehensive (loss) income from joint ventures		(301,871)	186,126	(1,011,494)	729,954
Effective portion of changes in fair value of interest rate swaps for hedging	12	(8,507)	9,893	(65,904)	58,159
		<u>(310,378)</u>	<u>196,019</u>	<u>(1,077,398)</u>	<u>788,113</u>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Net change in fair value of equity investments at fair value through other comprehensive income		(36,220)	188,413	(113,892)	283,195
Other comprehensive (loss) income for the period		(346,598)	384,432	(1,191,290)	1,071,308
Total comprehensive (loss) income for the period		(8,291)	735,822	(219,032)	2,249,850
Profit attributable to:					
Equity holders of the parent		330,681	343,826	950,197	1,156,384
Non-controlling interest		7,626	7,564	22,061	22,158
		<u>338,307</u>	<u>351,390</u>	<u>972,258</u>	<u>1,178,542</u>
Total comprehensive income attributable to:					
Equity holders of the parent		(15,917)	728,258	(241,093)	2,227,692
Non-controlling interest		7,626	7,564	22,061	22,158
		<u>(8,291)</u>	<u>735,822</u>	<u>(219,032)</u>	<u>2,249,850</u>
Earnings per share:					
Basic and diluted earnings per share (Qatari Riyals)	14	0.30	0.31	0.86	1.05

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2019

	Attributable to the equity holders of the parent						Non-controlling interests QAR'000	Total equity QAR'000
	Share capital QAR'000	Legal reserve QAR'000	General reserve QAR'000	Cash flow hedge reserve QAR'000	Fair value reserve QAR'000	Retained earnings QAR'000		
Balance at 1 January 2018 (Audited)	1,100,000	550,000	3,241,834	(1,507,588)	123,124	5,474,510	250,218	9,232,098
Adoption of IFRS9	-	-	-	-	-	(4,365)	-	(4,365)
Restated balances as at 1 January 2018	1,100,000	550,000	3,241,834	(1,507,588)	123,124	5,470,145	250,218	9,227,733
Profit for the period	-	-	-	-	-	1,156,384	22,158	1,178,542
Other comprehensive income	-	-	-	788,113	283,195	-	-	1,071,308
Total comprehensive income for the period	-	-	-	788,113	283,195	1,156,384	22,158	2,249,850
Dividends relating to year 2017 (Note 10)	-	-	-	-	-	(852,500)	(9,112)	(861,612)
Balance at 30 September 2018 (Reviewed)	1,100,000	550,000	3,241,834	(719,475)	406,319	5,774,029	263,264	10,615,971
Balance at 1 January 2019 (Audited)	1,100,000	550,000	3,241,834	(1,053,585)	491,690	6,125,641	257,674	10,713,254
Profit for the period	-	-	-	-	-	950,197	22,061	972,258
Other comprehensive income	-	-	-	(1,077,398)	(113,892)	-	-	(1,191,290)
Total comprehensive income for the period	-	-	-	(1,077,398)	(113,892)	950,197	22,061	(219,032)
Dividends relating to year 2018 (Note 10)	-	-	-	-	-	(852,500)	(18,954)	(871,454)
Balance at 30 September 2019 (Reviewed)	1,100,000	550,000	3,241,834	(2,130,983)	377,798	6,223,338	260,781	9,622,768

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2019

	<i>Notes</i>	<i>For the nine-month period ended 30 September</i>	
		<i>2019</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2018</i> <i>QAR'000</i> <i>(Reviewed)</i>
OPERATING ACTIVITIES			
Profit for the period		972,258	1,178,542
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		210,071	270,729
Profit on sale of property, plant and equipment		-	(58,762)
Share of profits of joint ventures		(474,652)	(382,637)
Provision for employees' end of service benefits		22,868	4,922
Dividend income from equity investments at fair value through other comprehensive income		(64,063)	(38,049)
Amortization of intangible asset		4,478	4,478
Provision for slow-moving inventories		12,950	15,179
Amortization of other assets		1,406	1,536
Interest income		(100,699)	(77,261)
Interest expense		189,518	155,551
Operating profit before working capital changes		774,135	1,074,228
<i>Working capital adjustments:</i>			
- Trade and other receivables		(18,302)	291,376
- Inventories		(9,585)	6,583
- Finance lease receivables		96,406	86,669
- Trade and other payables		(31,031)	(31,587)
Cash flows from operating activities		811,623	1,427,269
Employees' end of service benefits paid		(2,969)	(10,057)
Net cash flows from operating activities		808,654	1,417,212
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(40,791)	(28,918)
Dividends received from joint ventures		179,864	208,859
Additional investment made in Umm Al Houl Power Company Q.S.C.		(48,293)	(919,218)
Investments in equity investments at fair value through other comprehensive income		(474,287)	(399,566)
Proceed from disposal of property, plant and equipment		-	58,762
Dividends received from equity investments at fair value through other comprehensive income		64,063	38,049
Interest income received		81,789	77,261
Net movement in term deposits with original maturity over 90 days		(245,994)	(17,027)
Net cash flows used in investing activities		(483,649)	(981,798)
FINANCING ACTIVITIES			
Dividends paid		(836,671)	(852,500)
Dividend paid to non-controlling interest		(18,954)	(9,112)
Net movements in interest bearing loans and borrowings		(158,940)	795,008
Interest expense paid		(189,518)	(155,551)
Net cash flows used in financing activities		(1,204,083)	(222,155)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(879,078)	213,259
Cash and cash equivalents at beginning of period		1,430,376	564,021
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	9	551,298	777,280

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2019

1 REPORTING ENTITY

Qatar Electricity & Water Company Q.P.S.C. ("the Company") is a Qatari Shareholding Company incorporated in the State of Qatar under commercial registration number 14275. The Company commenced its commercial operations in March 1992. The registered office of the Company is located at Al-Markhiya Street, Madinah Khalifah North Area, Doha, State of Qatar. The Company's shares are listed on the Qatar Stock Exchange since 3 May 1998.

The Company was previously known as Qatar Electricity & Water Company Q.S.C. As per the Qatar Commercial Companies Law No. 11 of 2015 requirement, the legal status of the Company has changed into "Qatar Public Shareholding Company" after the amendment made into the Article of Association on 06 March 2017.

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

The principal activity of the Group, which have not changed from the previous year, is the production of electricity and desalinated water for supplying them to the state owned "Qatar General Electricity and Water Corporation" (otherwise known as "KAHRAMAA").

Details of the Company's subsidiaries at 30 September 2019 are as follows:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2019</i>	<i>2018</i>
Ras Laffan Operating Company W.L.L.	Plant operation and maintenance	Qatar	100%	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%	80%

The Company had the following joint ventures at 30 September 2019:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2019</i>	<i>2018</i>
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%	60%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	40%	40%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Siraj Energy	Identifying, evaluating and development of Solar power opportunities.	Qatar	60%	60%

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2018. In addition, the results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 23 October 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

The following amended accounting standard became effective in 2019 and have been adopted by the Group in preparation of these interim condensed consolidated financial statements as applicable. Whilst they did not have any material impact on these interim condensed consolidated financial statements, they may require additional disclosures in the annual financial statements for the year ending 31 December 2019:

New and amended standards and interpretations adopted by the Group

During the current period, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on 1 January 2019:

Annual Improvement 2015-2017 Cycle

IFRS 3 Business Combination

IFRS 11 Joint Arrangements

IAS 12 Income taxes

IAS 23 Borrowing Costs

Other changes

IFRIC Interpretation 23 Uncertainty over Income Tax treatment

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28: Long-term interests in associates and joint ventures

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

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 supersedes the IAS 17 Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC -27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and required lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted the IFRS 16 using the simplified modified retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The effect of adoption of IFRS 16 is as follows:

Impact on the interim consolidated statement of financial position:

	<i>30 September 2019 QAR '000 (Reviewed)</i>	<i>1 January 2019 QAR '000</i>
Assets		
Right of use assets	<u>23,155</u>	<u>24,841</u>
Liabilities		
Lease liability	<u>23,993</u>	<u>24,841</u>

The lease liability is presented in the interim consolidated statement of financial position as at 30 September 2019 as follows:

	<i>QAR '000 (Reviewed)</i>
Non-current	23,041
Current	<u>952</u>
	<u>23,993</u>

Impact on the interim consolidated statement of profit or loss (increase/decrease) for the three-month and nine-month period ended 30 September 2019:

	<i>For the three months ended 30 September 2019 QAR '000 (Reviewed)</i>	<i>For the nine months ended 30 September 2019 QAR '000 (Reviewed)</i>
Depreciation charge for right of use assets	<u>570</u>	<u>1,686</u>
Interest expense on lease liabilities	<u>-</u>	<u>1,265</u>

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations adopted by the Group (continued)

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various staff accommodation. Before the adoption of IFRS 16, the Group classified each of it as leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases when it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liability to make lease payments and right of use assets representing the right to use the underlying assets.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

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, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of leased liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right -of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Group uses the incremental borrowing rate at the lease commencement date if 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 liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Standards issued but not yet effective

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

<i>Topics</i>	<i>Effective date</i>
IFRS 17 Insurance Contracts	1 January 2021

4 USE OF JUDGMENTS AND ESTIMATES

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

Significant judgement in determining the lease term of contracts with renewal option – 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 to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the renewal. 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 (e.g. a change in business strategy.)

5 SEGMENTAL INFORMATION

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

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the nine months period ended 30 September 2019, the Group acquired assets with a cost of QR 40,791 thousands (year ended 31 December 2018: QR 110,313 thousand).

Disposals

During the year ended 31 December 2018, the Group disposed assets of QR 436,927 thousand with net carrying value of Nil.

During the period ended 30 September 2019, the Group has written off "C" inspection cost for a total amount of QR 68,978 thousand with net carrying value at the write-off date of Nil. (year ended 31 December 2018: asset cost QR 144,818 thousand with the net carrying value of Nil).

Property, plant and equipment includes right of use assets amounting to QR 23,155 thousand as at 30 September 2019 (31 December 2018: Nil).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2019

7 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective Ownership %	30 September 2019 QAR'000 (Reviewed)	31 December 2018 QAR'000 (Audited)
Nebras Power Q.S.C.	Qatar	60%	2,865,990	2,742,012
Umm Al Houl Power Q.S.C. (Note i)	Qatar	60%	790,815	1,271,362
Qatar Power Q.S.C.	Qatar	45%	392,399	381,679
Ras Girtas Power Company Q.S.C.	Qatar	55%	-	231,758
Mesaieed Power Company Q.S.C.	Qatar	40%	-	88,618
Siraj Energy	Qatar	60%	-	2,187
			4,049,204	4,717,616

Notes:

- (i) During the period, the Group has invested an additional amount of QR 48 million in Umm Al Houl Power Q.S.C.. The additional investment has not changed the Group's shareholding in the joint venture.
- (ii) The other movements of investment in joint ventures pertain to share of profit, share of other comprehensive income and dividend received.

8 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Q.S.C. The subsidiary adopted IFRIC 4: *Determining whether an arrangement contains a lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities. Effective 1 January 2019, the subsidiary adopted IFRS 16: Leases. The adoption of IFRS 16 does not have any impact on the previously reported finance lease receivable balance. The discount rate used by the subsidiary was 9.32 % per annum (2018: 9.32% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	30 September 2019 QAR'000 (Reviewed)	31 December 2018 QAR'000 (Audited)
Gross investment in the lease	1,688,142	1,868,460
Unearned finance income	(535,703)	(619,615)
Present value of minimum lease receivable	1,152,439	1,248,845

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

	30 September 2019 QAR'000 (Reviewed)	31 December 2018 QAR'000 (Audited)
Current portion	141,003	131,219
Non-current portion	1,011,436	1,117,626
	1,152,439	1,248,845

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9 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
Cash at bank – call and current accounts	217,358	166,996
Term deposits (<i>Note i</i>)	3,267,447	3,950,641
Cash in hand	64	316
	<u>3,484,869</u>	<u>4,117,953</u>
Bank balances and cash		
Less: Term deposits with original maturity of over 90 days	<u>(2,933,571)</u>	<u>(2,687,577)</u>
Cash and cash equivalents	<u>551,298</u>	<u>1,430,376</u>

Note:

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

10 SHARE CAPITAL

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
<i>Authorized, issued and paid up share capital</i>	<u>1,100,000</u>	<u>1,100,000</u>

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.

Cash dividend

During the period, the Company declared and approved a cash dividend of QR 7.75 per share totalling to QR 852,500 thousand for the year 2018 (30 September 2018 - QR 7.75 per share totalling to QR 852,500 thousand for the year 2017).

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11 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
Loan (1)	1,104,957	1,135,348
Loan (2)	1,093,500	1,093,500
Loan (3)	982,024	1,009,008
Loan (4)	915,624	915,623
Loan (5)	831,009	854,973
Loan (6)	514,118	536,756
Loan (7)	499,305	513,704
Loan (8)	325,665	334,660
Loan (9)	256,502	267,797
Loan (10)	182,250	182,250
Loan (11)	-	24,422
Total interest-bearing loans and borrowings	6,704,954	6,868,041
Less: Financing arrangement costs	(54,111)	(58,258)
	6,650,843	6,809,783

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

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
Current portion	2,432,715	2,443,820
Non-current portion	4,218,128	4,365,963
	6,650,843	6,809,783

12 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

Movement in cash flow hedge reserve for the period is as follow:

	<i>For the three month period ended 30 September</i>		<i>For the nine month period ended 30 September</i>		<i>31 December 2018</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2018</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Audited)</i>
Balance at 1 July/ 1 January	(1,820,605)	(915,494)	(1,053,585)	(1,507,588)	(1,507,588)
Share of other comprehensive income from joint ventures	(301,871)	186,126	(1,011,494)	729,954	424,104
Net changes in fair value of interest rate swaps of parent	(8,507)	9,893	(65,904)	58,159	29,899
Balance at 30 September / 31 December	(2,130,983)	(719,475)	(2,130,983)	(719,475)	(1,053,585)

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For the nine-month period ended 30 September 2019

12 INTEREST RATE SWAPS FOR HEDGING (CONTINUED)

(b) Fair value of interest rate swaps

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

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
<i>Assets</i>		
Current portion	310	8,157
Non-current portion	602	37,236
	<u>912</u>	<u>45,393</u>
<i>Liabilities</i>		
Current portion	4,640	4,640
Non-current portion	37,412	15,988
	<u>42,052</u>	<u>20,628</u>

13 REVENUE

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2019 QAR'000 (Reviewed)</i>	<i>2018 QAR'000 (Reviewed)</i>	<i>2019 QAR'000 (Reviewed)</i>	<i>2018 QAR'000 (Reviewed)</i>
Revenue from contract with customers:				
Sale of water	98,105	103,011	266,684	295,808
Sale of electricity	189,056	189,956	485,009	561,964
Operations and maintenance:				
Water	61,328	52,457	176,849	169,993
Electricity	44,073	63,319	124,604	209,642
Total revenue from contract with customers	392,562	408,743	1,053,146	1,237,407
Operating lease revenue – capacity charges				
Water	163,320	164,022	484,116	482,375
Electricity	55,489	66,560	151,434	195,767
Revenue from water and electricity	611,371	639,325	1,688,696	1,915,549

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

Revenue from operations and maintenance is recognised over the period of time upon satisfaction of the services to the customer using an output method. The Group applied the practical expedient which allows the Group to recognise the revenue in the amount to which the entity has a right to invoice as this corresponds directly with the value to the customer of the entity's performance completed to date. There is no unsatisfied performance obligation for the period ended 30 September 2019 (30 September 2018: Nil). Total revenue is generated within the State of Qatar.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14 EARNINGS PER SHARE

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

	<i>For the three month period ended 30 September</i>		<i>For the nine month period ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period attributable to equity holder of the parent	330,681	343,826	950,197	1,156,384
Weighted average number of shares outstanding during the period (number of shares in thousands)	1,100,000	1,100,000	1,100,000	1,100,000
Basic and diluted earnings per share (expressed in QR per share)	0.30	0.31	0.86	1.05

Earnings per share for comparative period have been restated to reflect the increase in weighted average number of shares consequent to the share split disclosed in Note 10.

Diluted earnings per share

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

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2019 QAR'000 (Reviewed)</i>	<i>31 December 2018 QAR'000 (Audited)</i>
<i>(a) Commitments:</i>		
Capital commitments	40,353	50,449
<i>(b) Contingent liabilities:</i>		
Corporate guarantees issued on behalf of joint ventures	450,287	450,299
Letter of credits	100,160	99,545
	550,447	549,844
<i>(c) Other commitments:</i>		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	1,262,910	1,299,107

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16 RELATED PARTY DISCLOSURES

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

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

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three month period ended 30 September</i>		<i>For the nine month period ended 30 September</i>	
			<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
			<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Reviewed)</i>
KAHRAMAA	Shareholder	Sale of electricity	289,231	321,376	761,754	967,396
		Sale of desalinated water	319,241	314,937	918,159	938,945
		Lease income from plant	30,431	32,149	96,549	100,080
			638,903	668,462	1,776,462	2,006,421
Qatar Petroleum	Affiliate	Sale of desalinated water	2,899	3,012	8,783	9,208
Qatar Petroleum	Affiliate	Cost of gas consumed /take or pay gas	252,686	221,004	638,854	549,645
Qatar National Bank		Interest income	28,543	27,617	97,724	74,059

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

	<i>Nature of the relationship</i>	<i>30 September 2019</i>		<i>31 December 2018</i>	
		<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>	<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>
		<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Reviewed)</i>	<i>QAR'000</i> <i>(Audited)</i>	<i>QAR'000</i> <i>(Audited)</i>
KAHRAMAA	Shareholder	432,077	2,499	401,207	170
Siraj Energy	Joint venture	17,142	-	-	-
Ras Gitras Power Company Q.S.C.	Joint venture	1,932	-	2,004	-
Umm Al Houl Power Q.S.C.	Joint venture	1,138	-	15,436	-
Qatar Power Q.S.C.	Joint venture	1,110	-	1,134	-
Nebras Power Q.S.C.	Joint venture	875	-	-	-
Qatar Petroleum	Shareholder	861	142,486	990	97,742
Messaied Power Company Q.S.C.	Joint venture	286	-	-	-
		455,421	144,985	420,771	97,912

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16 RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

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

	<i>For the three month period ended 30 September</i>		<i>For the nine month period ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	649	595	4,190	3,441
Directors' fees	2,937	2,937	8,812	8,812
	<u>3,586</u>	<u>3,532</u>	<u>13,002</u>	<u>12,253</u>

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 30 September 2019, the Group held the following classes of financial instruments measured at fair value:

<i>At 30 September 2019</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Financial assets measured at fair value:				
Equity investments at fair value through other comprehensive income	1,918,949	-	-	1,918,949
Positive fair value of interest rate swaps	-	912	-	912
	<u>1,918,949</u>	<u>912</u>	<u>-</u>	<u>1,919,861</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	42,052	-	42,052
	<u>-</u>	<u>42,052</u>	<u>-</u>	<u>42,052</u>

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

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

During the period/year ended 30 September 2019 and 31 December 2018, there were no transfers between Level 1 and Level 3 fair value measurements.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

Valuation techniques

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

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