

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2020**

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

Introduction

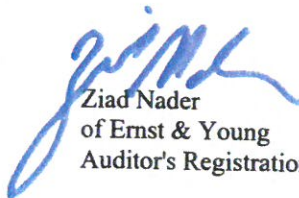
We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity & Water Company Q.P.S.C. (the "Company") and its subsidiaries (the "Group") as at 30 September 2020, comprising of the interim consolidated statement of financial position as at 30 September 2020 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 2020, 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: 19 October 2020
Doha



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 QAR '000 (Reviewed)	31 December 2019 QAR '000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,372,854	5,573,047
Right-of-use assets		30,573	22,584
Intangible assets and goodwill		86,037	90,515
Investments in joint ventures	7	3,701,634	4,545,352
Equity investment at fair value through other comprehensive income		2,387,723	1,955,212
Finance lease receivables	8	862,606	973,613
Positive fair value of interest rate swaps for hedging	12	-	6,485
Loan receivable from joint ventures		217,967	143,687
Other assets		<u>12,583</u>	<u>13,997</u>
		<u>12,671,977</u>	<u>13,324,492</u>
Current assets			
Inventories		87,030	81,499
Trade and other receivables		543,902	503,402
Finance lease receivables	8	148,830	144,014
Positive fair value of interest rate swaps for hedging	12	-	2,060
Bank balances and cash	9	<u>3,285,507</u>	<u>3,438,597</u>
		<u>4,065,269</u>	<u>4,169,572</u>
TOTAL ASSETS		<u><u>16,737,246</u></u>	<u><u>17,494,064</u></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	(2,661,974)	(1,891,900)
Fair value reserve		270,860	338,349
Foreign currency translation reserve		(23,575)	-
Retained earnings		<u>6,842,589</u>	<u>6,660,841</u>
Equity attributable to equity holders of the parent		<u>9,319,734</u>	9,999,124
Non-controlling interest		<u>229,751</u>	<u>235,948</u>
Total Equity		<u><u>9,549,485</u></u>	<u>10,235,072</u>

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

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2020

		<i>30 September 2020 QAR '000 (Reviewed)</i>	<i>31 December 2019 QAR '000 (Audited)</i>
Liabilities	<i>Notes</i>		
Non-current liabilities			
Interest bearing loans and borrowings	11	3,962,057	4,116,620
Negative fair value of interest rate swaps for hedging	12	67,706	27,036
Non-current portion of lease liability		29,464	23,008
Employees' end of service benefits		<u>91,124</u>	<u>86,730</u>
		<u>4,150,351</u>	<u>4,253,394</u>
Current liabilities			
Interest bearing loans and borrowings	11	2,443,122	2,436,525
Negative fair value of interest rate swaps for hedging	12	24,128	9,635
Current portion of lease liability		3,291	958
Trade and other payables		<u>566,869</u>	<u>558,480</u>
		<u>3,037,410</u>	<u>3,005,598</u>
Total liabilities		<u>7,187,761</u>	<u>7,258,992</u>
TOTAL EQUITY AND LIABILITIES		<u><u>16,737,246</u></u>	<u><u>17,494,064</u></u>

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


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


 Mr. Fahad Bin Hamad Al-Mohannadi
 Director

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

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month and nine-month period ended 30 September 2020

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		2020	2019	2020	2019
		<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Reviewed)</i>
Revenue from water and electricity	13	668,928	611,371	1,864,623	1,688,696
Lease interest		27,090	30,431	86,309	96,549
		696,018	641,802	1,950,932	1,785,245
Cost of sales		(461,605)	(418,344)	(1,254,665)	(1,135,261)
Gross profit		234,413	223,458	696,267	649,984
Other operating income		18,540	29,839	136,097	168,120
General and administrative expenses		(37,839)	(44,338)	(120,162)	(130,980)
Operating profit		215,114	208,959	712,202	687,124
Finance costs		(30,623)	(59,137)	(120,144)	(189,518)
Share of profit of joint ventures		194,925	188,485	461,508	474,652
Profit for the period		379,416	338,307	1,053,566	972,258
Other comprehensive income:					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
<i>Share of other comprehensive income (loss) from joint ventures</i>					
Interest rate swaps	12	137,824	(301,871)	(706,366)	(1,011,494)
Foreign currency translation		(23,575)	-	(23,575)	-
Effective portion of changes in fair value of interest rate swaps for hedging	12	6,659	(8,507)	(63,708)	(65,904)
		120,908	(310,378)	(793,649)	(1,077,398)
<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		275,737	(36,220)	(67,489)	(113,892)
Other comprehensive income (loss) for the period		396,645	(346,598)	(861,138)	(1,191,290)
Total comprehensive income (loss)		776,061	(8,291)	192,428	(219,032)
Profit attributable to:					
Equity holders of the parent		373,685	330,681	1,034,248	950,197
Non-controlling interest		5,731	7,626	19,318	22,061
		379,416	338,307	1,053,566	972,258
Total comprehensive income (loss) attributable to:					
Equity holders of the parent		770,330	(15,917)	173,110	(241,093)
Non-controlling interest		5,731	7,626	19,318	22,061
		776,061	(8,291)	192,428	(219,032)
Earnings per share:					
Basic and diluted earnings per share (Qatari Riyals)	14	0.34	0.30	0.94	0.86

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2020

Attributable to equity holder of the parent

	<i>Share capital</i> QAR'000	<i>Legal reserve</i> QAR'000	<i>General reserve</i> QAR'000	<i>Cash flow hedge reserve</i> QAR'000	<i>Fair value reserve</i> QAR'000	<i>Foreign currency translation reserve</i> QAR'000	<i>Retained earnings</i> QAR'000	<i>Total</i> QAR'000	<i>Non-controlling interest</i> QAR'000	<i>Total equity</i> QAR'000
Balance as at 1 January 2020	1,100,000	550,000	3,241,834	(1,891,900)	338,349	-	6,660,841	9,999,124	235,948	10,235,072
Profit for the period	-	-	-	-	-	-	1,034,248	1,034,248	19,318	1,053,566
Other comprehensive loss	-	-	-	(770,074)	(67,489)	(23,575)	-	(861,138)	-	(861,138)
Total comprehensive (loss) income	-	-	-	(770,074)	(67,489)	(23,575)	1,034,248	173,110	19,318	192,428
Dividends relating to year 2019 (Note 10)	-	-	-	-	-	-	(852,500)	(852,500)	(25,515)	(878,015)
Balance at 30 September 2020 (Reviewed)	1,100,000	550,000	3,241,834	(2,661,974)	270,860	(23,575)	6,842,589	9,319,734	229,751	9,549,485
Balance as at 1 January 2019	1,100,000	550,000	3,241,834	(1,053,585)	491,690	-	6,125,641	10,455,580	257,674	10,713,254
Profit for the period	-	-	-	-	-	-	950,197	950,197	22,061	972,258
Other comprehensive loss	-	-	-	(1,077,398)	(113,892)	-	-	(1,191,290)	-	(1,191,290)
Total comprehensive (loss) income	-	-	-	(1,077,398)	(113,892)	-	950,197	(241,093)	22,061	(219,032)
Dividends relating to year 2018 (Note 10)	-	-	-	-	-	-	(852,500)	(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	9,361,987	260,781	9,622,768

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

	<i>For the nine-month ended</i>	
	<i>30 September</i>	
	<i>2020</i>	<i>2019</i>
<i>Notes</i>	<i>QAR '000</i>	<i>QAR '000</i>
OPERATING ACTIVITIES		
Profit for the period	1,053,566	972,258
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	205,386	208,318
Depreciation of right-of-use of assets	2,223	1,753
Interest expense on lease liability	1,336	1,301
Share of profits of joint ventures	(461,508)	(474,652)
Provision for employees' end of service benefits	8,249	22,868
Dividend income on equity investments at fair value through other comprehensive income	(70,534)	(64,063)
Amortization of intangible assets	4,478	4,478
Provision for slow-moving inventories	10,741	12,950
Amortization of non-current assets	1,414	1,406
Interest income	(59,999)	(100,699)
Interest expense	117,847	188,217
Operating profit before working capital changes	813,199	774,135
<i>Working capital adjustments:</i>		
Inventories	(16,272)	(9,585)
Trade and other receivables	(27,734)	(18,302)
Finance lease receivables	106,191	96,406
Trade and other payables	832	(31,031)
Cash flows from operating activities	876,216	811,623
Employees' end of service benefits paid	(3,855)	(2,969)
Net cash flows from operating activities	872,361	808,654
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	6 (5,193)	(40,791)
Dividends received from joint ventures	590,817	179,864
Additional investments made in joint ventures	(15,532)	(48,293)
Investments in equity investments at fair value through other comprehensive income	(500,000)	(474,287)
Dividends received from equity investments at fair value through other comprehensive income	70,534	64,063
Loan receivable from joint ventures	(74,280)	-
Interest received	47,233	81,789
Net movement in term deposits with original maturity over 90 days	186,047	(245,994)
Net cash from (used in) investing activities	299,626	(483,649)
FINANCING ACTIVITIES		
Net movements in interest bearing loans and borrowings	(147,966)	(158,940)
Dividends paid	(844,943)	(836,671)
Dividend paid to non-controlling interest	(25,515)	(18,954)
Payment of lease liabilities	(2,759)	-
Interest paid	(117,847)	(189,518)
Net cash used in financing activities	(1,139,030)	(1,204,083)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,957	(879,078)
Cash and cash equivalents at 1 January	489,029	1,430,376
Cash and cash equivalents at 30 September	521,986	551,298

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

1 REPORTING ENTITY

Qatar Electricity and Water Company Q.P.S.C. (“the Company”) is a Qatari Public Shareholding Company incorporated in the State of Qatar under commercial registration number 14275. The Company commenced its commercial operations in March 1992. The registered office of the Company is located at 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 & Water Company Q.S.C. As per the requirement of the Qatar Commercial Companies Law No. 11 of 2015 the legal status of the Company has changed in to “Qatar Public Shareholding Company” after the amendment made in to the Article of Association on 6 March 2017.

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

The principal activities of the Group, which have not changed from the previous year, are to develop, own and operate plants to produce electricity and desalinated water and to supply them to the state owned “Qatar General Electricity and Water Corporation” (otherwise known as “KAHRAMAA”).

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

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

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

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019. In addition, the results for the nine months ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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

New and amended standards and interpretations adopted by the Group

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

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

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

Standards issued but not yet effective

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

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

4 USE OF JUDGMENTS AND ESTIMATES

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

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

5 SEGMENTAL INFORMATION

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

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the nine months ended 30 September 2020, the Group acquired assets with a cost of QR 5,193 thousand (year ended 31 December 2019: QR 99,399 thousand).

Disposals

During the nine months ended 30 September 2020, the Group has disposed assets of QR 441 thousand and written off "C" inspection cost for a total amount of QR 15,571 thousand with the net carrying value of Nil. (During the year ended 31 December 2019, the Group has written off "C" inspection cost for a total amount of QR 68,978 thousand with the net carrying value at the disposal date of Nil.)

7 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	30 September 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Nebras Power Q.P.S.C.	Qatar	60%	2,994,912	2,917,627
Qatar Power Q.J.P.S.C.	Qatar	55%	392,593	431,087
Umm Al Houl Power Q.P.S.C.	Qatar	60%	304,837	1,136,778
Siraj Energy (Note i)	Qatar	60%	9,292	-
Ras Girtas Power Company Q.P.S.C.	Qatar	45%	-	51,462
Mesaieed Power Company Q.P.S.C.	Qatar	40%	-	8,398
			<u>3,701,634</u>	<u>4,545,352</u>

Notes:

- (i) During the period, the Group has invested an additional amount of QR 15.5 million in Siraj Energy. The additional investment has not changed the Group's shareholding percentage in the joint venture.
- (ii) The other movements of investment in joint ventures pertain to share of profit, share of other comprehensive income/ (loss) and dividend received.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

8 FINANCE LEASE RECEIVABLES

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

	30 September 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Gross investment in the lease	1,445,311	1,626,295
Unearned finance income	<u>(433,875)</u>	<u>(508,668)</u>
Present value of minimum lease receivable	<u>1,011,436</u>	<u>1,117,627</u>

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

	30 September 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Current portion	148,830	144,014
Non-current portion	<u>862,606</u>	<u>973,613</u>
	<u>1,011,436</u>	<u>1,117,627</u>

9 CASH AND CASH EQUIVALENTS

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

	30 September 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Cash at bank – call and current accounts	173,135	149,347
Term deposits (<i>Note i</i>)	3,112,297	3,289,204
Cash in hand	<u>75</u>	<u>46</u>
Bank balances and cash	3,285,507	3,438,597
Less: Term deposits with original maturity of over 90 days	<u>(2,763,521)</u>	<u>(2,949,568)</u>
Cash and cash equivalents	<u>521,986</u>	<u>489,029</u>

Note:

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

10 SHARE CAPITAL

	<i>30 September 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
<i>Authorized, issued and paid up share capital</i>		
1,100,000,000 ordinary shares with nominal value of QR 1 each	<u>1,100,000</u>	<u>1,100,000</u>

Stock split

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

Cash dividend paid

During the period, the Company declared and approved a cash dividend of QR 0.775 per share totalling to QR 852,500 thousand for the year 2019 (30 September 2019 - QR 0.775 per share totalling to QR 852,500 thousand for the year 2018).

11 INTEREST BEARING LOANS AND BORROWINGS

	<i>30 September 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
Loan (1)	1,041,250	1,073,602
Loan (2)	1,093,500	1,093,500
Loan (3)	946,753	974,966
Loan (4)	915,623	915,623
Loan (5)	797,627	822,896
Loan (7)	479,248	494,431
Loan (6)	457,661	485,474
Loan (8)	313,908	323,313
Loan (9)	228,335	242,212
Loan (10)	<u>182,250</u>	<u>182,250</u>
Total interest-bearing loans and borrowings	6,456,155	6,608,267
Less: Financing arrangement costs	<u>(50,976)</u>	<u>(55,122)</u>
	<u>6,405,179</u>	<u>6,553,145</u>

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

	<i>30 September 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
Current portion	2,443,122	2,436,525
Non-current portion	<u>3,962,057</u>	<u>4,116,620</u>
	<u>6,405,179</u>	<u>6,553,145</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

12 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>		<i>31 December</i>
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2019</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	(2,806,457)	(1,820,605)	(1,891,900)	(1,053,585)	(1,053,585)
Share of other comprehensive income from joint ventures	137,824	(301,871)	(706,366)	(1,011,494)	(785,424)
Net changes in fair value of interest rate swaps of parent	6,659	(8,507)	(63,708)	(65,904)	(52,891)
Balance at 30 September/ 31 December	<u>(2,661,974)</u>	<u>(2,130,983)</u>	<u>(2,661,974)</u>	<u>(2,130,983)</u>	<u>(1,891,900)</u>

(b) Interest rate swaps for hedging

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

	<i>30 September 2020</i>	<i>31 December 2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
Assets		
Current portion	-	2,060
Non-current portion	-	6,485
	<u>-</u>	<u>8,545</u>
Liabilities		
Current portion	24,128	9,635
Non-current portion	67,706	27,036
	<u>91,834</u>	<u>36,671</u>

13 REVENUE

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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>
Revenue from contract with customers:				
Sale of water	111,563	98,105	325,368	266,684
Sale of electricity	236,655	189,056	606,527	485,009
Operations and maintenance:				
Water	66,302	61,328	194,064	176,849
Electricity	36,560	44,073	103,703	124,604
Total revenue from contract with customers	451,080	392,562	1,229,662	1,053,146
Operating lease revenue – capacity charges				
Water	162,984	163,320	486,753	484,116
Electricity	54,864	55,489	148,208	151,434
Revenue from water and electricity	<u>668,928</u>	<u>611,371</u>	<u>1,864,623</u>	<u>1,688,696</u>

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

13 REVENUE (CONTINUED)

Revenue from operations and maintenance is recognised over the period of time upon satisfaction of the services to the customer using an output method. The Group applied the practical expedient which allows the Group to recognise the revenue in the amount to which the entity has a right to invoice as this corresponds directly with the value to the customer of the entity's performance completed to date. Total revenue is generated within the State of Qatar.

14 EARNINGS PER SHARE

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

	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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	373,685	330,681	1,034,248	950,197
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)	0.34	0.30	0.94	0.86

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 2020</i>	<i>31 December 2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
<i>(a) Commitments:</i>		
Capital commitments	120,768	46,181
<i>(b) Contingent liabilities:</i>		
Corporate guarantees issued on behalf of joint ventures	550,448	550,448
Letter of credits	-	100,160
	550,448	650,608
<i>(c) Other commitments:</i>		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	1,212,259	1,251,023

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2020

16 RELATED PARTY DISCLOSURES

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

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

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
			<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</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>
KAHRAMAA	Shareholder	Sale of electricity	328,080	289,231	858,439	761,754
		Sale of water	337,997	319,241	997,479	918,159
		Lease interest	27,090	30,431	86,309	96,549
			693,167	638,903	1,942,227	1,776,462
Qatar Petroleum	Shareholder	Sale of water	2,851	2,899	8,705	8,783
Qatar Petroleum	Shareholder	Cost of gas consumed/take or pay gas	296,126	252,686	775,028	638,854
Qatar National Bank		Interest income	1,673	4,797	10,002	13,801

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 2020</i>		<i>31 December 2019</i>	
		<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>	<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>
		<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Audited)</i>
KAHRAMAA	Shareholder	469,633	4,306	413,950	5,489
Nebras Power Q.P.S.C.	Joint venture	4,145	-	845	-
Qatar Petroleum	Shareholder	2,972	167,895	2,075	126,826
Umm Al Houl Power Q.P.S.C.	Joint venture	2,410	-	2,123	-
Qatar Power Q.P.J.S.C.	Joint venture	2,310	-	1,166	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	2,228	-	2,170	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	1,015	-	468	-
Siraj Energy Q.P.S.C.	Joint venture	495	-	18,886	-
		485,208	172,201	441,683	132,315

The loans receivable from joint ventures include amounts due from Umm Al Houl Power Q.P.S.C. of QR 143,687 thousand carried at LIBOR plus 0.46% per annum and non-interest-bearing loan to Siraj Energy Q.P.S.C. of QR 74,280 thousand.

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 months ended 30 September</i>		<i>For the nine months ended 30 September</i>	
	<i>2020 QAR'000 (Reviewed)</i>	<i>2019 QAR'000 (Reviewed)</i>	<i>2020 QAR'000 (Reviewed)</i>	<i>2019 QAR'000 (Reviewed)</i>
Management remuneration	706	649	4,205	4,190
Directors' fees	2,937	2,937	8,812	8,812
	<u>3,643</u>	<u>3,586</u>	<u>13,017</u>	<u>13,002</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 2020, the Group held the following classes of financial instruments measured at fair value:

<i>At 30 September 2020 (Reviewed)</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 investment at fair value through other comprehensive income	<u>2,387,723</u>	<u>-</u>	<u>-</u>	<u>2,387,723</u>
	<u>2,387,723</u>	<u>-</u>	<u>-</u>	<u>2,387,723</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	<u>-</u>	<u>91,834</u>	<u>-</u>	<u>91,834</u>
	<u>-</u>	<u>91,834</u>	<u>-</u>	<u>91,834</u>

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

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

During the reporting period/year ended 30 September 2020 and 31 December 2019, there were no transfers between Level 1 and Level 3 fair value measurements.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

Valuation techniques

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

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

18 EFFECT OF COVID 19

The 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 30 September 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 30 September 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 in the State of Qatar. 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 30 September 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations.