

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2021**

INDEX	Page(s)
Independent auditor's review report	1
Interim condensed consolidated financial statements:	
Interim consolidated statement of financial position	2 - 3
Interim consolidated statement of profit or loss and other comprehensive income	4
Interim consolidated statement of changes in equity	5
Interim consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 - 17

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity and Water Company Q.P.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") as at 31 March 2021, which comprise the interim consolidated statement of financial position as at 31 March 2021, and the related interim consolidated statements of profit or loss and other comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three-month period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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


Ziad Nader
of Ernst & Young
Auditor's Registration No. 258
Date: 28 April 2021
Doha


EY ERNST & YOUNG
P.O. BOX: 164, DOHA - QATAR
إرنست و يونغ EY
ص.ب : ١٦٤ ، الدوحة - قطر

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	31 March 2021 QAR '000 (Reviewed)	31 December 2020 QAR '000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	5,010,960	5,040,887
Right-of-use assets		28,400	29,516
Intangible assets and goodwill		83,052	84,545
Investments in joint ventures and an associate	8	4,446,596	3,936,650
Equity investments at fair value through other comprehensive income		2,693,695	2,571,376
Finance lease receivables	9	817,507	823,306
Loan receivable from joint ventures and an associate		271,278	207,029
Other assets		11,737	12,157
		<u>13,363,225</u>	<u>12,705,466</u>
Current assets			
Inventories		21,102	66,344
Trade and other receivables		526,164	493,534
Finance lease receivables	9	120,253	150,307
Bank balances and cash		3,217,145	3,478,966
		<u>3,884,664</u>	<u>4,189,151</u>
Asset held for sale		255,535	255,535
		<u>4,140,199</u>	<u>4,444,686</u>
TOTAL ASSETS		<u>17,503,424</u>	<u>17,150,152</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Hedge reserve	13	(1,892,883)	(2,513,650)
Fair value reserve		576,832	454,513
Foreign currency translation reserve		(27,616)	(14,215)
Retained earnings		6,618,717	6,939,760
Equity attributable to equity holders of the parent		<u>10,166,884</u>	<u>9,758,242</u>
Non-controlling interest		214,233	207,745
Total equity		<u>10,381,117</u>	<u>9,965,987</u>

ERNST & YOUNG
Doha - Qatar

28 APR 2021

Stamped for Identification
Purposes Only

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

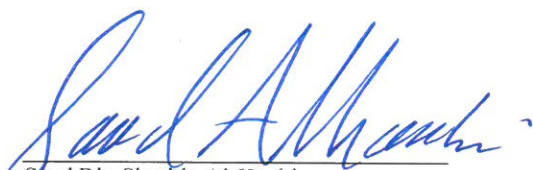
Qatar Electricity and Water Company Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

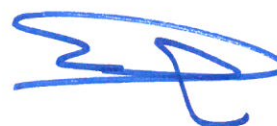
As at 31 March 2021

		<i>31 March 2021</i>	<i>31 December 2020</i>
	<i>Notes</i>	<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Audited)</i>
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	12	3,826,912	3,856,019
Negative fair value of interest rate swaps for hedging	13	22,137	50,876
Lease liabilities		26,719	28,971
Employees' end of service benefits		82,392	80,863
		3,958,160	4,016,729
Current liabilities			
Interest bearing loans and borrowings	12	2,450,245	2,447,771
Negative fair value of interest rate swaps for hedging	13	35,074	32,111
Current portion of lease liabilities		3,701	3,211
Trade and other payables		675,127	684,343
		3,164,147	3,167,436
Total liabilities		7,122,307	7,184,165
TOTAL EQUITY AND LIABILITIES		17,503,424	17,150,152

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 28 April 2021.



Saad Bin Sherida Al-Kaabi
Chairman



Mohammed Nasser Al-Hajri
Managing Director and General Manager




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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

For the three-month period ended 31 March 2021

	Notes	<i>For the three-month period ended 31 March</i>	
		2021	2020
		<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Reviewed)</i>
Revenue from water and electricity	14	575,781	570,040
Lease interest		25,011	29,337
		<u>600,792</u>	<u>599,377</u>
Cost of sales		(366,672)	(380,989)
Gross profit		234,120	218,388
Other operating income		80,386	97,558
General and administrative expenses		(37,766)	(43,329)
Operating profit		276,740	272,617
Finance costs		(29,495)	(51,616)
Net share of profit of joint ventures and an associate		131,200	105,641
Profit for the period		378,445	326,642
Other comprehensive income (loss):			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income (loss) from joint ventures – interest rate swaps for hedging	13	594,991	(739,295)
Share of other comprehensive loss from joint ventures - exchange differences on translation of foreign operations		(13,401)	-
Effective portion of changes in fair value of interest rate swaps for hedging	13	25,776	(64,562)
		<u>607,366</u>	<u>(803,857)</u>
<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		122,319	(539,462)
Other comprehensive income (loss) for the period		729,685	(1,343,319)
Total comprehensive income (loss) for the period		1,108,130	(1,016,677)
Profit attributable to:			
Equity holders of the parent		371,957	320,109
Non-controlling interest		6,488	6,533
		<u>378,445</u>	<u>326,642</u>
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		1,101,642	(1,023,210)
Non-controlling interest		6,488	6,533
		<u>1,108,130</u>	<u>(1,016,677)</u>
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	15	0.34	0.29

ERNST & YOUNG
Doha - Qatar

28 APR 2021

Stamped for Identification
Purposes Only

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2021

	<i>Attributable to equity holder of the parent</i>									
	<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 2021	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
Profit for the period	-	-	-	-	-	-	371,957	371,957	6,488	378,445
Other comprehensive income	-	-	-	620,767	122,319	(13,401)	-	729,685	-	729,685
Total comprehensive income	-	-	-	620,767	122,319	(13,401)	371,957	1,101,642	6,488	1,108,130
Dividends relating to year 2020 (Note 11)	-	-	-	-	-	-	(693,000)	(693,000)	-	(693,000)
Balance at 31 March 2021 (Reviewed)	1,100,000	550,000	3,241,834	(1,892,883)	576,832	(27,616)	6,618,717	10,166,884	214,233	10,381,117
Balance as at 1 January 2020	1,100,000	550,000	3,241,834	(1,891,900)	338,349	-	6,660,841	9,999,124	235,948	10,235,072
Profit for the period	-	-	-	-	-	-	320,109	320,109	6,533	326,642
Other comprehensive loss	-	-	-	(803,857)	(539,462)	-	-	(1,343,319)	-	(1,343,319)
Total comprehensive loss	-	-	-	(803,857)	(539,462)	-	320,109	(1,023,210)	6,533	(1,016,677)
Dividends relating to year 2019 (Note 11)	-	-	-	-	-	-	(852,500)	(852,500)	-	(852,500)
Balance at 31 March 2020 (Reviewed)	1,100,000	550,000	3,241,834	(2,695,757)	(201,113)	-	6,128,450	8,123,414	242,481	8,365,895

ERNST & YOUNG
Doha - Qatar

28 APR 2021

Stamped for Identification
Purposes Only

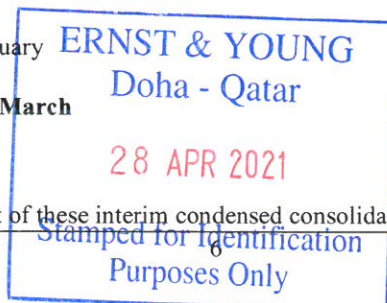
Qatar Electricity and Water Company Q.P.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2021

	<i>For the three-month period</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
<i>Notes</i>	<i>QAR '000</i>	<i>QAR '000</i>
OPERATING ACTIVITIES		
Profit for the period	378,445	326,642
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	67,783	65,683
Depreciation of right-of-use assets	1,054	568
Interest expense on lease liabilities	1,131	1,178
Net share of profits of joint ventures and an associate	(131,200)	(105,641)
Provision for employees' end of service benefits	2,213	3,686
Dividend income	(60,237)	(70,269)
Amortization of intangible assets	1,493	1,493
Provision for slow-moving inventories	3,585	3,580
Amortization of non-current assets	420	424
Interest income	(13,974)	(26,350)
Interest expense	26,051	48,081
	276,764	249,075
Operating profit before working capital changes		
<i>Working capital adjustments:</i>		
Inventories	41,657	(11,429)
Trade and other receivables	(26,960)	(7,654)
Finance lease receivables	35,853	34,184
Trade and other payables	(29,800)	(25,395)
	297,514	238,781
Cash flows from operating activities		
Employees' end of service benefits paid	(684)	(418)
	296,830	238,363
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	7 (37,856)	(3,422)
Dividends received from equity investments at fair value through other comprehensive income	60,237	70,269
Dividends received from joint ventures	202,844	431,677
Additional investments made in an associate	-	(15,532)
Net movement in loan receivable from joint ventures and associate	(64,249)	-
Interest received	8,304	34,013
Net movement in term deposits with original maturity over 90 days	135,105	268,325
	304,385	785,330
Net cash from investing activities		
FINANCING ACTIVITIES		
Net movements in interest bearing loans and borrowings	(22,472)	(25,672)
Dividends paid	(672,416)	(819,154)
Payment of lease liabilities	(1,700)	(860)
Lease interest paid	(1,131)	(1,178)
Interest paid	(30,212)	(47,221)
	(727,931)	(894,085)
Net cash used in financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	(126,716)	129,608
	662,520	489,029
Cash and cash equivalents at 31 March	10 535,804	618,637

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

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

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

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

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2021</i>	<i>2020</i>
Ras Laffan Operating Company W.L.L.	Plant operation and maintenance	Qatar	100%	100%
Ras Laffan Power Company Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	80%	80%

The Company has the following joint ventures and an associate at 31 March:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2021</i>	<i>2020</i>
Qatar Power Q.J.P.S.C.	Generation of electricity and 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 and 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 and production of desalinated water	Qatar	60%	60%
Siraj Energy Q.P.S.C. (Note i)	Identifying, evaluating and development of Solar power opportunities.	Qatar	49%	60%

Note:

(i) 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. Subsequent to that execution of the sales purchase agreement and the amendments of shareholder agreement, the Group has classified its investment in Siraj Energy as an investment in associate. The revised percentage shareholdings in Siraj Energy Q.P.S.C. were as follows:

- Qatar Electricity and Water Company Q.P.S.C. (49%)
- Qatar Petroleum (51%)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three-month period ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial statements are prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income and derivative financial instruments which are measured at fair value.

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 consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. In addition, the results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 28 April 2021.

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 consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021.

The following amendments to the existing standards have been applied by the Group in preparation of these interim condensed consolidated financial statements. The adoption of the below amendments to existing standards did not result in changes to previously reported net profit or equity of the Group, but they may result in additional disclosures at year end:

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 2021:

<i>Description</i>	<i>Effective from</i>
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 2023

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 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 judgments, estimates and assumptions.

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 2020.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020.

6 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.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the three-month period ended 31 March 2021, the Group acquired assets with a cost of QAR 37,856 thousand (Year ended 31 December 2020: QAR 4,843 thousand).

Disposals

There were no disposals made during the three-month period ended 31 March 2021, as well as during the year ended 31 December 2020.

8 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE

	Country of incorporation	Group effective ownership %	31 March 2021 QAR'000 (Reviewed)	31 December 2020 QAR'000 (Audited)
<i>The Group has the following investments in joint ventures:</i>				
Nebras Power Q.P.S.C.	Qatar	60%	3,075,288	3,048,454
Umm Al Houli Power Q.P.S.C.	Qatar	60%	919,935	451,742
Qatar Power Q.J.P.S.C. (Note i)	Qatar	55%	373,326	422,225
Mesaieed Power Company Q.P.S.C.	Qatar	40%	43,942	-
Ras Girtas Power Company Q.P.S.C. (Note ii)	Qatar	45%	20,689	-
			<u>4,433,180</u>	<u>3,922,421</u>
<i>The Group has the following investments in an associate:</i>				
Siraj Energy (Note iii)	Qatar	49%	13,416	14,229
			<u>13,416</u>	<u>14,229</u>
Investments in joint ventures and an associate			<u>4,446,596</u>	<u>3,936,650</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

8 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

Notes:

- (i) 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) in the QPower financial statements.

As per the MOU signed on 2 February 2020, the Ministry of Finance (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.

- (ii) 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 to March 2017.

RGPC wrote a detailed response to GTA 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 the final decision. 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.

- (iii) On 30 November 2020, the Company 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. Subsequent to that execution of the sales purchase agreement and the amendments of shareholder agreement, the Group has classified its investment in Siraj Energy as an investment in associate. The revised percentage shareholdings in Siraj Energy Q.P.S.C. were as follows:
- a. Qatar Electricity and Water Company Q.P.S.C. (49%)
 - b. Qatar Petroleum (51%)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

9 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 implicit interest rate is 9.32% per annum (2020: 9.32% per annum). 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.

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
Gross investment in the lease	1,325,571	1,383,594
Unearned finance income	<u>(387,811)</u>	<u>(409,981)</u>
Present value of minimum lease receivable	<u><u>937,760</u></u>	<u><u>973,613</u></u>

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

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
Current portion	120,253	150,307
Non-current portion	<u>817,507</u>	<u>823,306</u>
	<u><u>937,760</u></u>	<u><u>973,613</u></u>

10 CASH AND CASH EQUIVALENTS

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

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 March 2020 QAR'000 (Reviewed)</i>
Cash at bank – call and current accounts	234,561	177,896
Term deposits (<i>Note i</i>)	2,982,509	3,121,926
Cash in hand	<u>75</u>	<u>58</u>
Bank balances and cash	3,217,145	3,299,880
Less: Term deposits with original maturity of over 90 days	<u>(2,681,341)</u>	<u>(2,681,243)</u>
Cash and cash equivalents	<u><u>535,804</u></u>	<u><u>618,637</u></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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

11 SHARE CAPITAL

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
<i>Authorized, issued and paid up share capital</i>		
1,100,000,000 ordinary shares with nominal value of QAR 1 each	<u>1,100,000</u>	<u>1,100,000</u>

Cash dividend

During the period, the shareholders of the Company approved a cash dividend of QAR 0.630 per share totalling to QAR 693,000 thousand for the year 2020 (31 March 2020 - QAR 0.775 per share totalling to QAR 852,500 thousand for the year 2019).

12 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
Loan (1)	1,007,869	1,007,869
Loan (2)	1,093,500	1,093,500
Loan (3)	929,415	939,247
Loan (4)	915,624	915,624
Loan (5)	779,257	789,141
Loan (6)	468,211	474,149
Loan (7)	428,739	428,739
Loan (8)	308,129	311,406
Loan (9)	213,905	213,905
Loan (10)	<u>182,250</u>	<u>182,250</u>
Total interest-bearing loans and borrowings	6,326,899	6,355,830
Less: Financing arrangement costs	<u>(49,742)</u>	<u>(52,040)</u>
	<u>6,277,157</u>	<u>6,303,790</u>

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

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
Current portion	2,450,245	2,447,771
Non-current portion	<u>3,826,912</u>	<u>3,856,019</u>
	<u>6,277,157</u>	<u>6,303,790</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

13 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

	<i>For the three-month period ended 31 March</i>		<i>31 December</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Audited)</i>
Balance at 1 January	(2,513,650)	(1,891,900)	(1,891,900)
Share of other comprehensive income from joint ventures	594,991	(739,295)	(566,889)
Net changes in fair value of interest rate swaps of parent	25,776	(64,562)	(54,861)
Balance at 31 March / 31 December	<u>(1,892,883)</u>	<u>(2,695,757)</u>	<u>(2,513,650)</u>

(b) Interest rate swaps for hedging

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

	<i>31 March 2021</i>	<i>31 December 2020</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
Liabilities		
Current portion	35,074	32,111
Non-current portion	22,137	50,876
	<u>57,211</u>	<u>82,987</u>

14 REVENUE FROM WATER AND ELECTRICITY

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Revenue from contract with customers:		
Sale of water	89,760	99,769
Sale of electricity	174,040	173,154
Operations and maintenance:		
Water	61,995	62,376
Electricity	43,052	31,502
Total revenue from contract with customers	368,847	366,801
Operating lease revenue – capacity charges		
Water	160,192	161,390
Electricity	46,742	41,849
Revenue from water and electricity	575,781	570,040

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

Revenue from operations and maintenance is recognised over a period of time upon satisfaction of the services to the customer using the 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

15 EARNINGS PER SHARE

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

	<i>For the three-month period ended 31 March</i>	
	<i>2021 QAR'000 (Reviewed)</i>	<i>2020 QAR'000 (Reviewed)</i>
Profit for the period attributable to equity holder of the parent	371,957	320,109
Weighted average number of shares outstanding during the period (number of shares in thousands)	<u>1,100,000</u>	<u>1,100,000</u>
Basic and diluted earnings per share (expressed in QAR per share)	<u>0.34</u>	<u>0.29</u>

Diluted earnings per share

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

16 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2021 QAR'000 (Reviewed)</i>	<i>31 December 2020 QAR'000 (Audited)</i>
(a) Commitments:		
Capital commitments	<u>590</u>	<u>68,847</u>
(b) Contingent liabilities:		
Corporate guarantees issued on behalf of joint ventures	550,987	550,987
Letter of credits	<u>100,160</u>	<u>100,160</u>
	<u>651,147</u>	<u>651,147</u>
(c) Other commitments:		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	<u>1,187,780</u>	<u>1,198,482</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

17 RELATED PARTY DISCLOSURES

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

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

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three-month period ended 31 March</i>	
			<i>2021 QAR'000 (Reviewed)</i>	<i>2020 QAR'000 (Reviewed)</i>
KAHRAMAA	Shareholder	Sale of electricity	263,834	246,506
		Sale of water	309,404	320,567
		Lease interest	25,011	29,337
			<u>598,249</u>	<u>596,410</u>
Qatar Petroleum	Shareholder	Sale of water	<u>2,542</u>	<u>2,967</u>
Qatar Petroleum	Shareholder	Cost of gas consumed/take or pay gas	<u>201,660</u>	<u>224,040</u>

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

	<i>Nature of the relationship</i>	<i>31 March 2021</i>		<i>31 December 2020</i>	
		<i>Trade and other receivables QAR'000 (Reviewed)</i>	<i>Trade payables and accrued expenses QAR'000 (Reviewed)</i>	<i>Trade and other receivables QAR'000 (Audited)</i>	<i>Trade payables and accrued expenses QAR'000 (Audited)</i>
KAHRAMAA	Shareholder	466,727	142,508	432,254	143,339
Qatar Petroleum	Shareholder	19,203	126,734	20,529	127,891
Nebras Power Q.P.S.C.	Joint venture	4,145	-	2,698	-
Siraj Energy Q.P.S.C.	Associate	3,508	-	3,321	-
Umm Al Houl Power Q.P.S.C.	Joint venture	1,804	-	1,806	-
Qatar Power Q.P.J.S.C.	Joint venture	1,179	-	1,196	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	940	-	783	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	650	-	468	-
		<u>498,156</u>	<u>269,242</u>	<u>463,055</u>	<u>271,230</u>

The loans receivable from joint venture include amounts due from Umm Al Houl Power Q.P.S.C. of QAR 143,687 thousand (31 December 2020: QAR 143,687 thousand) carried at LIBOR plus 0.46% per annum and loan to an associate includes non-interest bearing loan receivable from Siraj Energy Q.P.S.C. of QAR 127,591 thousand (31 December 2020: QAR 63,342 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021

17 RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

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

	<i>For the three-month period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	900	1,341
Directors' fees	2,937	2,937
Board Committee Remuneration	258	-
	<u>4,095</u>	<u>4,278</u>

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 31 March 2021, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 March 2021 (Reviewed)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Financial assets measured at fair value:				
Equity investment at fair value through other comprehensive income	<u>2,693,695</u>	<u>-</u>	<u>-</u>	<u>2,693,695</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	<u>-</u>	<u>57,211</u>	<u>-</u>	<u>57,211</u>

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

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

During the reporting period/year ended 31 March 2021 and 31 December 2020, there were no transfers between Level 1 and Level 3 fair value measurements.

18 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.

19 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 March 2021.

Based on the management’s assessment carried at 31 March 2021, 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 interim condensed consolidated financial statements as at 31 March 2021. 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 March 2021.