

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2021**

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

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Qatar Electricity and Water Company Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
<b>Carrying value of Property, Plant and Equipment</b>	
<p>The Group's property, plant and equipment (PPE), as set out in note 6 to the consolidated financial statements, represents 26% of the Group's total assets and, consequently, their depreciation charge for the year represents 17% of the Group's total expense.</p> <p>There are a number of areas where management judgment impacts the carrying value of PPE. These include:</p> <ul style="list-style-type: none"> <li>- the annual useful life review including the impact due to changes in the Group's strategy</li> <li>- assessing indicators of impairment and determining recoverable amounts; and</li> <li>- the decision to determine the classification of land and related improvements as assets held for sale;</li> </ul>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the Group's accounting policies for PPE and evaluating the design of key controls around the PPE processes, including controls over recording of assets in the PPE register, assets classification and useful life of assets;</li> <li>• evaluating the recognition criteria applied to the costs incurred and capitalized during the financial year against the requirements of the relevant accounting standards and verifying the additions to source documents on a sample basis;</li> <li>• evaluating the basis for the classification of the land and related improvements as assets held for sale;</li> <li>• performing analytical procedures on depreciation charges;</li> </ul>

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

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

**Key Audit Matters (continued)**

<b>Key audit matter</b>	<b>How our audit address the key audit matter</b>
<p><b><i>Carrying value of Property, Plant and Equipment</i></b></p> <p>Due to the significance of the property, plant and equipment balance to the consolidated financial statements and the subjectivity involved in determining the carrying value of PPE, this is considered as a key audit mater.</p> <p>The PPE related disclosures included in the Notes to the consolidated financial statements are as follows:</p> <p>Note 3 –Significant accounting judgements, estimates and assumptions Note 5 –Summary of significant accounting policies Note 6 –Property, plant and equipment</p>	<ul style="list-style-type: none"> <li>• evaluating the management’s assessment of possible internal and external indicators of impairment in relation to the production facilities such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the PWPA in addition to assessing if impairment testing is required; and</li> <li>• tracing the PPE and depreciation related balances to the relevant ledgers and assessing the adequacy of relevant disclosure in the consolidated financial statements.</li> </ul>
<p><b><i>Carrying value of Investment in Joint Ventures and an associate</i></b></p> <p>The Group’s investment in joint ventures and associate, as set out in note 9 to the consolidated financial statements, represents 27% of the Group’s total assets and, the share of profit of joint ventures and an associate for the year represents 38% of the Group’s profit.</p> <p>Due to the significance of the balance of investment in joint ventures to the consolidated financial statements and the subjectivity involved in assessing indicators of impairment and determining the carrying value of investment in joint ventures balance, this is considered as a key audit mater.</p> <p>The investment in joint venture related disclosures included in the Notes to the consolidated financial statements are as follows:</p> <p>Note 3 –Significant accounting judgements, estimates and assumptions Note 5 – Summary of significant accounting policies Note 9 – Investment in joint ventures and an associate</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• We issued audit instructions to the component auditors of the significant equity accounted investments. The instructions covered the significant audit areas that the component auditors should focus on, as well as the information required to be reported back to the Group audit team.</li> <li>• Throughout the audit, we maintained constant communication with the component auditors of the significant equity accounted investment components. We assessed the competence, knowledge and experience of our component audit teams, and performed a review of significant audit areas to assess the adequacy of the procedures performed in pursuit of our audit opinion.</li> <li>• Assessed the financial information submitted by the joint ventures for consistency with accounting policies of the Group;</li> <li>• Obtained the Group’s joint venture accounting schedule to confirm whether the Group’s interests in the profit, other comprehensive income and net assets were accounted in accordance with the Group’s participatory interests in the joint venture;</li> <li>• Testing the Group’s assessments as to whether any indication of impairment exist by reference to the available information in the relevant markets and industries; and</li> <li>• We reviewed the adequacy of the disclosures included in the notes to the financial statements in relation to the investments in joint ventures.</li> </ul>

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

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

**Other Information Included in the Group's 2021 Annual Report**

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Legal and Other Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies Law No.11 of 2015, whose certain provisions were subsequently amended by Law No. 8 of 2021 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance

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

  
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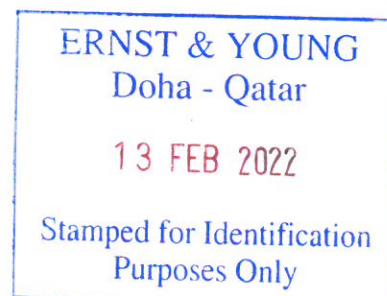
Date: 13 February 2022  
Doha

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 QAR'000	2020 QAR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	4,805,110	5,040,887
Right-of-use assets	7	22,935	29,516
Intangible assets and goodwill	8	78,575	84,545
Investment in joint ventures and an associate	9	5,072,541	3,999,992
Equity investments at fair value through other comprehensive income	10	3,164,944	2,571,376
Finance lease receivables	11	798,419	823,306
Loan receivables from a joint venture	9	-	143,687
Other assets	12	10,473	12,157
		<u>13,952,997</u>	<u>12,705,466</u>
<b>Current assets</b>			
Inventories	13	63,910	66,344
Trade and other receivables	14	566,040	493,534
Finance lease receivables	11	24,887	150,307
Bank balances and cash	15	3,627,113	3,478,966
		<u>4,281,950</u>	<u>4,189,151</u>
Asset held for sale	40	255,535	255,535
		<u>4,537,485</u>	<u>4,444,686</u>
<b>TOTAL ASSETS</b>		<u><b>18,490,482</b></u>	<u><b>17,150,152</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	1,100,000	1,100,000
Legal reserve	17	550,000	550,000
General reserve	18	3,241,834	3,241,834
Hedge reserve	19	(1,778,702)	(2,513,650)
Fair value reserve	20	1,048,081	454,513
Foreign currency translation reserve	21	(34,344)	(14,215)
Retained earnings		<u>7,683,966</u>	<u>6,939,760</u>
<b>Equity attributable to equity holders of the parent</b>		<u><b>11,810,835</b></u>	<u><b>9,758,242</b></u>
Non-controlling interest	22	177,124	207,745
<b>Total equity</b>		<u><b>11,987,959</b></u>	<u><b>9,965,987</b></u>



The attached notes 1 to 42 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>QAR'000</b>	<b>2020</b> <b>QAR'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	23	<b>3,582,956</b>	3,856,019
Negative fair value of interest rate swaps for hedging	24	<b>2,552</b>	50,876
Lease liabilities	7	<b>23,066</b>	28,971
Employees' end of service benefits	25	<b>76,094</b>	80,863
		<b>3,684,668</b>	4,016,729
<b>Current liabilities</b>			
Interest bearing loans and borrowings	23	<b>2,097,274</b>	2,447,771
Negative fair value of interest rate swaps for hedging	24	<b>29,700</b>	32,111
Lease liabilities	7	<b>3,037</b>	3,211
Trade and other payables	26	<b>687,844</b>	684,343
		<b>2,817,855</b>	3,167,436
<b>Total liabilities</b>		<b>6,502,523</b>	7,184,165
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,490,482</b>	17,150,152

These consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 13 February 2022.

Saad Bin Sherida Al-Kaabi  
Chairman

Mohammed Nasser Al-Hajri  
Managing Director and General Manager

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Doha - Qatar

13 FEB 2022

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The attached notes 1 to 42 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 QAR'000	2020 QAR'000
Revenue from water and electricity	27	2,380,960	2,476,098
Lease interest	11	93,554	110,152
		<u>2,474,514</u>	<u>2,586,250</u>
Cost of sales	28	(1,508,979)	(1,687,183)
<b>Gross profit</b>		<b>965,535</b>	<b>899,067</b>
Other income	29	218,378	186,218
General and administrative expenses	30	(148,199)	(303,229)
<b>Operating profit</b>		<b>1,035,714</b>	<b>782,056</b>
Finance costs	31	(115,740)	(150,287)
Share of profit of joint ventures and an associate	9	570,121	550,935
<b>Profit for the year</b>		<b>1,490,095</b>	<b>1,182,704</b>
<b>Other comprehensive income/ (loss):</b>			
<i>Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive profit/ (loss) from joint ventures – interest rate swaps for hedging	9 & 19	684,213	(566,889)
Share of other comprehensive loss from joint ventures - exchange differences on translation of foreign operations	9 & 21	(20,129)	(14,215)
Effective portion of changes in fair value of interest rate swaps for hedging	19	50,735	(54,861)
		<u>714,819</u>	<u>(635,965)</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	10 & 20	593,568	116,164
<b>Other comprehensive income/ (loss)</b>		<b>1,308,387</b>	<b>(519,801)</b>
<b>Total comprehensive income for the year</b>		<b>2,798,482</b>	<b>662,903</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		1,467,865	1,157,690
Non-controlling interests	22	22,230	25,014
		<u>1,490,095</u>	<u>1,182,704</u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		2,776,252	637,889
Non-controlling interests	22	22,230	25,014
		<u>2,798,482</u>	<u>662,903</u>
<b>Earnings per share:</b>			
Basic and diluted earnings per share (Qatari Riyals)	32	1.33	1.05

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The attached notes 1 to 42 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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13 FEB 2022

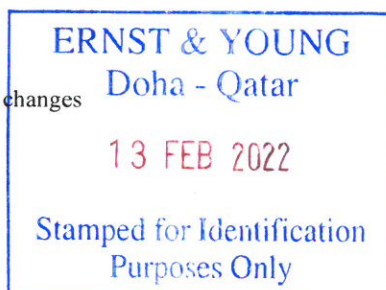
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	<i>Attributable to the equity holders of the parent</i>									
	<i>Share capital</i> QAR'000	<i>Legal reserve</i> QAR'000	<i>General reserve</i> QAR'000	<i>Hedge reserve</i> QAR'000	<i>Fair value reserve</i> QAR'000	<i>Foreign currency translation 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 at 1 January 2020	1,100,000	550,000	3,241,834	(1,891,900)	338,349	-	6,660,841	9,999,124	235,948	10,235,072
Profit for the year	-	-	-	-	-	1,157,690	1,157,690	1,157,690	25,014	1,182,704
Other comprehensive (loss) income	-	-	-	(621,750)	116,164	(14,215)	-	(519,801)	-	(519,801)
Total comprehensive income (loss) for the year	-	-	-	(621,750)	116,164	(14,215)	1,157,690	637,889	25,014	662,903
Dividends relating to year 2019 (Note 33)	-	-	-	-	-	-	(852,500)	(852,500)	(53,217)	(905,717)
Contribution to social and sports support fund for 2021 (Note 34)	-	-	-	-	-	-	(26,271)	(26,271)	-	(26,271)
Balance at 31 December 2020	1,100,000	550,000	3,241,834	(2,513,650)	454,513	(14,215)	6,939,760	9,758,242	207,745	9,965,987
Balance 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 year	-	-	-	-	-	1,467,865	1,467,865	1,467,865	22,230	1,490,095
Other comprehensive income/ (loss)	-	-	-	734,948	593,568	(20,129)	-	1,308,387	-	1,308,387
Total comprehensive income (loss) for the year	-	-	-	734,948	593,568	(20,129)	1,467,865	2,776,252	22,230	2,798,482
Dividends relating to year 2020 (Note 33)	-	-	-	-	-	-	(693,000)	(693,000)	(52,851)	(745,851)
Contribution to social and sports support fund for 2021 (Note 34)	-	-	-	-	-	-	(30,659)	(30,659)	-	(30,659)
<b>Balance at 31 December 2021</b>	<b>1,100,000</b>	<b>550,000</b>	<b>3,241,834</b>	<b>(1,778,702)</b>	<b>1,048,081</b>	<b>(34,344)</b>	<b>7,683,966</b>	<b>11,810,835</b>	<b>177,124</b>	<b>11,987,959</b>

The attached notes 1 to 42 form part of these consolidated financial statements.

**Qatar Electricity and Water Company Q.P.S.C.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021

	Notes	2021 QAR'000	2020 QAR'000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		1,490,095	1,182,704
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	275,632	281,468
Depreciation of right-of-use assets	7	4,191	3,281
Gain on termination on lease	7	(439)	-
Property, plant and equipment written-off		2,580	-
Interest expense on lease liability	7	1,376	1,408
Share of profits of joint ventures and an associate	9	(570,121)	(550,935)
Provision for employees' end of service benefits	25	6,829	9,954
Dividend income from equity investments at fair value through other comprehensive income	29	(81,411)	(70,534)
Profit on disposal of property, plant and equipment	29	-	(91)
Amortisation of intangible assets	8	5,970	5,970
Amortisation of other assets	30	1,684	1,840
Interest income	29	(72,361)	(76,824)
Interest expense		113,389	147,848
Operating profit before working capital changes		1,177,414	936,089
<i>Working capital changes:</i>			
Inventories		2,434	15,155
Trade and other receivables		(61,964)	(13,267)
Finance lease receivables		150,307	144,014
Trade and other payables		(21,197)	101,336
Cash flows from operating activities		1,246,994	1,183,327
Employees' end of service benefits paid	25	(11,598)	(15,821)
<b>Net cash flows from operating activities</b>		<b>1,235,396</b>	<b>1,167,506</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(42,435)	(4,843)
Proceeds from disposal of property, plant and equipment		-	91
Dividends received from equity investments at fair value through other comprehensive income	10	81,411	70,534
Dividends received from joint ventures and an associate	9	371,073	590,815
Additional investments made in a joint venture	9	(209,417)	(78,874)
Net movement in loan receivable from a joint venture	9	143,687	-
Investments in equity investments at fair value through other comprehensive income	10	-	(500,000)
Interest income received		61,819	103,209
Net movement in term deposits with original maturity over 90 days		(181,199)	133,122
<b>Net cash flows from investing activities</b>		<b>224,939</b>	<b>314,054</b>
<b>FINANCING ACTIVITIES</b>			
Net movements in interest bearing loans and borrowings		(627,618)	(252,437)
Dividends paid		(698,961)	(847,243)
Dividends paid to non-controlling interests	22	(52,851)	(53,217)
Interest expense paid		(109,331)	(153,175)
Payment of principal portion of lease liabilities		(4,626)	(1,997)
<b>Net cash flows used in financing activities</b>		<b>(1,493,387)</b>	<b>(1,308,069)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at 1 January		662,520	489,029
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	15	<b>629,468</b>	<b>662,520</b>



The attached notes 1 to 42 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 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 for the production of electricity and desalinated water and to supply them to the state owned “Qatar General Electricity and Water Corporation” (otherwise known as “KAHRAMAA”).

The Company has the following subsidiaries as at 31 December:

<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 Limited 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 as at 31 December:

<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>
<i>Joint ventures:</i>				
Qatar Power Q.P.J.S.C.	Generation of electricity and production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Limited Q.P.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	45%	45%
Nebras Power Q.P.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Umm Al Houl Power Q.P.S.C.	Generation of electricity and production of desalinated water	Qatar	60%	60%
<i>Associate:</i>				
Siraj Energy Q.P.S.C. (i)	Identifying, evaluating and development of solar power opportunities	Qatar	49%	49%

(i) On 30 November 2020, the Company entered into a share sales and purchase agreement with QatarEnergy (formerly known as Qatar Petroleum) to dispose 11% of its share of equity in Siraj Energy Q.P.S.C. Subsequently, during the year, the Group has classified its investment in Siraj Energy as an investment in associate. The revised percentage of shareholdings in Siraj Energy Q.P.S.C. are as follows:

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

## 2 MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

Below are the major transactions and agreements of the Group in chronological order:

- a) On 10 February 1999, the Company entered into an agreement with the State of Qatar for the purchase of the power plant at Ras Abu Fontas B ("RAF B"). Based on the agreement, the Company was assigned the operation and management of the power plant.
- b) In April 2001, the Company entered into a Power Purchase Agreement with the Qatar General Electricity and Water Corporation (hereafter the "KAHRAMAA") for the supply of electricity from the Company's Ras Abu Fontas B1 ("RAF B1") station, which commenced commercial operations on 29 August 2002.
- c) In January 2003, the Company purchased the four stations set out below from KAHRAMAA for a total consideration of QAR 600 million. A Power and Water Purchase Agreement (hereafter "PWPA") was also signed with KAHRAMAA for its supply of electricity and desalinated water from these stations:

- Ras Abu Fontas A ("RAF A")
- Al Wajbah
- Al Saliyah
- Doha South Super

The Company discontinued the operations of the Al-Wajbah station during 2010 following instructions received from the State of Qatar. Also, Al Saliyah and Doha South Super facilities were discontinued as the relevant contracts with KAHRAMAA expired on 31 December 2014.

The Company discontinued the operations of the Ras Abu Fontas "A" station (RAF A) with effect from 31 December 2017.

- d) In January 2003, the Company acquired from QatarEnergy the Dukhan Desalination Plant for QAR 71.66 million. Subsequent to the conclusion of this purchase agreement, the Company also concluded a Land Lease Agreement, a Water Purchase Agreement, and a Fuel Supply Agreement with QatarEnergy relating to the Dukhan Desalination Plant.
- e) On 27 January 2005 Qatar Power Q.P.J.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan B Integrated Water and Power Plant. The percentage shareholdings in Qatar Power Q.P.J.S.C. as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity and Water Company Q.P.S.C. (55%)
  - International Power PLC (40%)
  - Chubu Electric Power Company (5%)
- f) In October 2005, the Company entered into a PWPA with KAHRAMAA for the supply of electricity and desalinated water from the Company's Ras Abu Fontas B2 ("RAF B2") station.
- g) On 15 January 2007, Mesaieed Power Company Limited Q.P.S.C. was incorporated as a joint venture between the Company, Marubeni Corporation and QatarEnergy for the production of electricity from the Mesaieed power plant. In May 2009, Chubu Electric Power Company joined the joint venture. The shareholdings in Mesaieed Power Company Limited Q.P.S.C. as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity and Water Company Q.P.S.C. (40%)
  - Marubeni Corporation (30%)
  - QatarEnergy (20%)
  - Chubu Electric Power Company (10%)
- h) In May 2007, the Company entered into a Water Purchase Agreement with KAHRAMAA for the supply of desalinated water from the Company's Ras Abu Fontas A1 ("RAF A1") station (an extension of ("RAF A").

## 2 MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP (CONTINUED)

- i) On 25 March 2008, Ras Girtas Power Company Q.P.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan C plant. The percentage shareholdings in Ras Girtas Power Company Q.P.S.C. as at the current and the comparative reporting dates were as follows:
- Qatar Electricity and Water Company Q.P.S.C. (45%)
  - RLC Power Holding Company (40%)
  - QatarEnergy (15%)
- j) On 7 January 2013, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A2 Water project with KHARAMAA.
- k) On 20 May 2013, Nebras Power Q.P.S.C. was incorporated as a joint venture for the purpose of acquiring electricity and water production projects outside the State of Qatar. The percentage shareholdings in Nebras Power Q.P.S.C. as at the current and the comparative reporting dates were as follows:
- Qatar Electricity and Water Company Q.P.S.C. (60%)
  - Qatar Holding L.L.C. (40%)
- l) On 13 May 2015, Umm Al Houl Power Q.P.S.C. was incorporated as a joint venture for the purpose of the production of electricity and desalinated water from the Facility D plant. The percentage shareholdings in Umm Al Houl Power Q.P.S.C. as at the current and the comparative reporting dates were as follows:
- Qatar Electricity and Water Company Q.P.S.C. (60%)
  - QatarEnergy (5%)
  - Qatar Foundation for Education, Science and Community Development (5%)
  - K1 Energy Limited, incorporated in the U.K. (30%)
- m) On 13 October 2015, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A3 Water project with KHARAMAA.
- n) On 25 September 2017, Siraj Energy Q.P.S.C. was incorporated as a Joint Venture Company for the purpose of identifying, evaluating and development of solar power opportunities in the State of Qatar.
- On 30 November 2020, the Company has entered into a share sales and purchase agreement with QatarEnergy ("QE") to dispose 11% of its share of equity in Siraj Energy Q.P.S.C. Subsequently, during the year, 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%)
  - QatarEnergy (51%)

## 3 BASIS OF PREPARATION

### Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements comply with the requirements of Qatar Commercial Companies Law No.11 of 2015, whose certain provisions were subsequently amended by Law No.8 of 2021. The management is in the process of taking necessary actions needed to ensure full compliance with the amended law, including amending the Articles of Association of the Company where necessary, and has concluded that any non-compliance as at the reporting date does not have a material impact on the consolidated financial statements.

### Basis of measurement

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

### 3 BASIS OF PREPARATION (CONTINUED)

#### **Functional and presentation currency**

These consolidated financial statements have been presented in Qatari Riyals (“QAR”), which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### **Significant accounting judgments, estimates and assumptions**

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

#### **Judgments**

In the process of applying the Group’s accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### *Classification of Power and Water Purchase Agreements*

The Company has entered into several long-term Power and Water Purchase Agreements (“PWPA”) with Kahramaa and QatarEnergy as mentioned in Note 2. Management does not consider the PWPA to fall within the scope of IFRIC 12 *Service Concession Arrangements*.

Under the PWPAs, the Company receives payment for the provision of power and water capacity, whether or not the offtaker (Kahramaa) requests power or water output (“capacity payments”), and for the variable costs of production (“energy and water payments”). Based on management’s estimate of the useful life and residual value of the assets, Kahramaa is not determined to control any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. The classification of the PWPA as an operating lease is based on the judgement applied by management which considers that the Group retains the principal risks and rewards of ownership of the plants, based on management’s estimate of the useful life and residual value of the assets. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset.

One of the Group’s subsidiary has entered into PWPA with Kahramaa. Management has determined this arrangement to be a finance lease under *IFRS 16 - Leases*. Accordingly, this has been accounted as a finance lease receivable.

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

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

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

##### *Asset held for sale*

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

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

**3 BASIS OF PREPARATION (CONTINUED)**

**Significant accounting judgments, estimates and assumptions (continued)**

**Judgments (continued)**

*Classification of investment in joint ventures*

The Group has various investment in joint ventures. Despite holding more than 50% shareholding of these entities, by virtue of the contractual agreements, the Group does not have control over the financial and operating policy decisions of the joint venture entities. The decisions about the relevant activities of the joint venture entities require the unanimous consent of all the parties.

*Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

**Estimates and assumptions**

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

*Useful life of property, plant and equipment*

Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, which is based on the physical wear and tear, technological or commercial obsolescence, and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews the useful lives of these assets annually. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

*Impairment of goodwill*

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

*Impairment of other non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires judgement. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets and there were no significant adverse changes in the market that could have an adverse effect on its assets. If such indication exists, then an impairment test is performed by the management. The determination of recoverable amounts require management to make significant judgments, estimations and assumptions.

*Impairment of inventories*

When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

*Impairment of investment in the joint ventures and associate*

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

**3 BASIS OF PREPARATION (CONTINUED)****Significant accounting judgments, estimates and assumptions (continued)****Estimates and assumptions (continued)***Finance lease receivable*

The Group's management determines estimated future cash flows in respect of capacity charge for calculating effective interest rate of finance lease. This estimate is determined after considering the expected Scheduled and Forced outage of power supply in the future years. Management reviews the estimates annually while any difference between the estimated finance lease income and actual finance lease income is charged directly to the consolidated statement of profit or loss of the respective period.

*Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. When estimating ECLs, the Group analyse both quantitative and qualitative information, based on the Group's historical experience and calibrate with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is make certain entity-specific estimates (such as the Group's stand-alone credit rating).

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

**4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES****New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) effective as of 1 January 2021 as noted below:

<i>Standards and interpretations</i>	<i>Effective date</i>
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16	1 January 2021

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

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 did have a material impact on the consolidated financial statements of the Group.

**4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)****Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

The adoption of new and amended standards and interpretations do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**Standards issued but not yet effective**

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

<i>Topics</i>	<i>Effective date</i>
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023

**IBOR transition**

Effective from 1 January 2021, the Group has implemented Interest Rate Benchmark Reform - Phase 2 amendments which address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and hedge accounting.

The amendments require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that are effected by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. In addition it provides certain exceptions to hedge accounting requirements.

With respect to operational aspect of IBOR transition, the Group is in discussion with counterparties in relation to exposure on both derivative and non-derivative financial assets and liabilities linked to Inter Bank Offered Rate maturing beyond the year 2021. The Group does not expect to have a material impact on the Group's financial statements.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to both years presented in these consolidated financial statements.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

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

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

### **Business combinations and goodwill**

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

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

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Business combinations and goodwill (continued)**

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

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

**Interest in joint ventures and an associate**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint ventures and associate are accounted for using the equity method.

Under the equity method, the investment in a joint venture and an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint ventures and associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint ventures and associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint ventures and associate are eliminated to the extent of the interest in the joint venture and associate.

The aggregate of the Group's share of profit or loss of a joint ventures and an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint ventures and an associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognises the loss within 'share of profit of joint venture and an associate' in the consolidated statement of profit or loss.

Upon loss of joint control over the joint venture or associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment**

*Recognition and measurement*

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

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

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

*Subsequent expenditure*

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

*Depreciation*

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

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

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

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

Capital work-in-progress are not depreciated. Once completed work-in-progress are re-classified to the appropriate category of property, plant and equipment and depreciated accordingly.

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

An item of property, plant and equipment is derecognised upon disposal (i.e. at the date the recipient obtain control) or when no future economic benefits are expected from its use or disposal. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts and is included in the consolidated statement of profit or loss.

**Intangible assets**

*Recognition and measurement*

Intangible assets comprise the Power and Water Purchase Agreements (PWPA) that are acquired by the Group and have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses, if any.

*Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Intangible assets (continued)**

*Amortization*

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in the consolidated statement of profit or loss.

The estimated useful life of the contract rights over the Power and Water Purchase Agreement is 25 years.

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

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

**Inventories**

Inventories comprise spare parts, chemicals and consumables, which are measured at the lower of cost or net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

**Non-current assets held for sale**

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

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

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

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Non-current assets held for sale (continued)**

*Impairment of non-financial assets (continued)*

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Leases**

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

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term lease. The Group recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

*Right-of-use assets*

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

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

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

*Lease liabilities*

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

*Short-term leases*

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

*Group as a lessor*

The Group has determined that one of the subsidiary's Power and Water Purchase Agreement (PWPA) with KAHRAMAA contains a lease and, accordingly, the Group has accounted for the cost of the plant as a finance lease receivable. Leases where the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance leases and are presented as receivables at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. Income from finance leases in which the Group is a lessor is recognized based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets**

*Initial recognition and measurement*

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

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

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

*Subsequent measurement*

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

• *Financial assets at amortised costs*

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

• *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group elects to classify its equity investments as equity instruments at Fair value through other comprehensive income (FVOCI) when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in consolidated other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment.

*Derecognition*

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

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

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

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial assets (continued)

#### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include interest bearing loans and borrowings, lease liability, trade payables, accrued expenses, other payables and derivative financial instruments.

#### *Subsequent measurement*

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

- *Financial liabilities at amortised costs*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative financial instruments and hedge accounting**

*Initial recognition and subsequent measurement*

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

• *Cash flow hedges*

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

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

**Cash and cash equivalents**

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

**Provision for employees' end of service benefits**

With respect to the expatriate employees, the Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labour Law. The entitlement to these benefits is based upon the employees' final basic salary and length of service, subject to the completion of a minimum service period, and are payable to the employees on termination of their employment. The expected costs of these benefits are accrued over the period of employment.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group's share of contributions to these schemes are charged to profit or loss in the year to which they relate. In addition, the Group provides end of service benefits to its Qatari employees in accordance with requirements of respective local laws and guidance. The entitlement to these benefits is based upon the employees' final basic salary and length of personal service, subject to the completion of 20 years personal service and are payable to the employees on termination of their employment. The expected cost of these benefits is accrued upon completion of 20 years for year in excess of the 20 years threshold.

**Provisions**

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

**Revenue recognition**

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

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

*Revenue from generation of electricity*

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

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

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

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (continued)

#### *Income from finance lease*

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

### Dividend income

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

### Interest income

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

### Income tax

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

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

On 2 February 2020, QEWC, QatarEnergy ("QE"), Ministry of Finance (MoF) and the General Tax Authority (GTA) reached an agreement through a Memorandum of Understanding ("hereby referred to as the MOU") which states that the income tax liability pertaining to certain listed companies (including QEWC) share in their Joint Ventures would be borne by the MoF. Accordingly, application of the new Income Tax Law requirements stated above did not have any material impact on Group's consolidated financial statements for the years ended 31 December 2021, 2020 and 2019.

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

### Foreign currency transactions and balances

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

On consolidation, the assets and liabilities of foreign operations are translated into QAR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

### Dividend distribution to the Company's shareholders

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

### Government grants

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

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair values**

The Group measures financial instruments such as derivatives, and non-financial assets such as investment securities, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

**Pass-through items**

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

**Current versus non-current classification**

The Group presents assets and liabilities based on current/non-current classification. An asset is current when it is:

- Expected to be recognised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be recognised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2021

**6 PROPERTY, PLANT AND EQUIPMENT**

	Production facilities (A) QAR '000	Furniture, fixtures and office equipment QAR '000	Motor vehicles QAR '000	"C" inspection costs (B) QAR '000	Capital spares QAR '000	Capital work in progress QAR '000	Total QAR '000
<b>Cost</b>							
At 1 January 2021	10,693,029	37,946	6,174	211,862	50,487	2,580	11,002,078
Additions	-	579	41	41,815	-	-	42,435
Disposals/Write-offs	-	(7,591)	(57)	(56,396)	-	(2,580)	(66,624)
At 31 December 2021	10,693,029	30,934	6,158	197,281	50,487	-	10,977,889
<b>Accumulated depreciation</b>							
At 1 January 2021	5,766,635	35,106	5,304	116,300	37,846	-	5,961,191
Depreciation	235,219	1,246	490	36,233	2,444	-	275,632
Disposals/Write-offs	-	(7,591)	(57)	(56,396)	-	-	(64,044)
At 31 December 2021	6,001,854	28,761	5,737	96,137	40,290	-	6,172,779
<b>Net carrying amounts</b>							
At 31 December 2021	<b>4,691,175</b>	<b>2,173</b>	<b>421</b>	<b>101,144</b>	<b>10,197</b>	<b>-</b>	<b>4,805,110</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2021

**6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Land QAR '000	Production facilities (A) QAR '000	Furniture, fixtures and office equipment QAR '000	Motor vehicles QAR '000	"C" inspection costs (B) QAR '000	Capital spares QAR '000	Capital work in progress QAR '000	Total QAR '000
<b>Cost</b>								
At 1 January 2020	174,901	10,669,698	36,113	6,780	175,112	50,487	156,306	11,269,397
Additions	-	-	1,833	450	-	-	2,560	4,843
Reclassification	-	23,331	-	-	52,321	-	(75,652)	-
Transfer to asset held for sale (Note 40)	(174,901)	-	-	-	-	-	(80,634)	(255,535)
Disposals/Write-offs	-	-	-	(1,056)	(15,571)	-	-	(16,627)
At 31 December 2020	-	10,693,029	37,946	6,174	211,862	50,487	2,580	11,002,078
<b>Accumulated depreciation</b>								
At 1 January 2020	-	5,525,406	33,769	5,569	96,715	34,891	-	5,696,350
Depreciation	-	241,229	1,337	791	35,156	2,955	-	281,468
Disposals/Write-offs	-	-	-	(1,056)	(15,571)	-	-	(16,627)
At 31 December 2020	-	5,766,635	35,106	5,304	116,300	37,846	-	5,961,191
<b>Net carrying amounts</b>								
At 31 December 2020	-	4,926,394	2,840	870	95,562	12,641	2,580	5,040,887

**6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**(A) Production facilities**

The land on which the RAF A1, RAF A2, RAF A3, RAF B, RAF B1 and RAF B2 plants were constructed has been leased to the Company by the State of Qatar free of rent for a period of 50 years commencing on 5 July 1990 under the Emiri Decree No. 24 of 2001.

The land on which the Dukhan desalination plant is situated has been leased to the Company by QatarEnergy for a period of 25 years from the acquisition date of the plant, 01 January 2003.

**(B) "C" Inspection costs**

Costs incurred for the production facilities under an Inspection and Maintenance program have been capitalized under "C" inspection costs. These costs are accounted for as separate assets as they have an estimated useful life of 3-5 years. Costs incurred on "C" inspections in progress are included under capital work in progress. On completion of these inspections, their cost will be capitalized under the "C" inspection costs category.

**(C) Depreciation**

The annual depreciation charge has been allocated to profit or loss as follows:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Cost of sales (Note 28)	273,920	279,383
General and administrative expenses (Note 30)	<u>1,712</u>	<u>2,085</u>
	<u><u>275,632</u></u>	<u><u>281,468</u></u>

**7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

**Right-of-use assets**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Balance as at 1 January	29,516	22,584
Additions	-	10,213
Depreciation (Note 30)	(4,191)	(3,281)
Termination of lease	<u>(2,390)</u>	<u>-</u>
Balance as at 31 December	<u><u>22,935</u></u>	<u><u>29,516</u></u>

**Lease liabilities**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Balance as at 1 January	32,182	23,966
Additions	-	10,213
Accretion of interest (Note 31)	1,376	1,408
Payments	(4,626)	(3,405)
Termination of lease	<u>(2,829)</u>	<u>-</u>
Balance as at 31 December	<u><u>26,103</u></u>	<u><u>32,182</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**7 RIGHT-OF-USE ASSETS AND FINANCE LIABILITIES (CONTINUED)**

**Lease liabilities (continued)**

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Non-current	23,066	28,971
Current	<u>3,037</u>	<u>3,211</u>
Balance as at 31 December	<u><u>26,103</u></u>	<u><u>32,182</u></u>

The following are the amounts recognised in the statement of profit or loss:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Depreciation of right-of-use assets (Note 30)	4,191	3,281
Interest on lease liabilities (Note 31)	1,376	1,408
Gain on termination of lease	(439)	-

**8 INTANGIBLES ASSETS AND GOODWILL**

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Intangible assets (i)	47,762	53,732
Goodwill (ii)	<u>30,813</u>	<u>30,813</u>
<b>Total</b>	<u><u>78,575</u></u>	<u><u>84,545</u></u>

**(i) Intangible assets**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Cost:		
At 31 December	<u>113,430</u>	<u>113,430</u>
Amortisation:		
At 1 January	59,698	53,728
Amortisation (Note 30)	<u>5,970</u>	<u>5,970</u>
At 31 December	<u>65,668</u>	<u>59,698</u>
Net carrying amount:		
<b>At 31 December</b>	<u><u>47,762</u></u>	<u><u>53,732</u></u>

This represents the contract rights from the Power and Water Purchase Agreement entered into between Ras Laffan Power Company Q.P.S.C., a subsidiary of the Company, and KAHRAMAA for the supply of electricity and desalinated water to KAHRAMAA for a period of 19 years from the date of step-up acquisition on 20 October 2010.

**(ii) Goodwill**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 9 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE

The Group has the following investments in joint ventures and an associate:

	Country of incorporation	Group effective ownership % 2021	2020	2021 QAR'000	2020 QAR'000
<i>The Group has the following investment in joint ventures:</i>					
Nebras Power Q.P.S.C. (Note i)	Qatar	60%	60%	3,205,145	3,048,454
Umm Al Houl Power Q.P.S.C. (Note ii)	Qatar	60%	60%	994,485	451,742
Qatar Power Q.J.P.S.C. (Note iii)	Qatar	55%	55%	412,960	422,225
Ras Girtas Power Company Q.P.S.C. (Note iv)	Qatar	45%	45%	150,202	-
Mesaieed Power Company Limited Q.P.S.C.	Qatar	40%	40%	138,398	-
Siraj Energy Q.P.S.C. (Notes v)	Qatar	49%	49%	-	77,571
				<b>4,901,190</b>	<b>3,999,992</b>
<i>The Group has the following investment in an associate:</i>					
Siraj Energy Q.P.S.C. (Notes v)	Qatar	49%	49%	171,351	-
				<b>5,072,541</b>	<b>3,999,992</b>

Notes:

- (i) Pursuant to the Board of Directors' approval, the Group has entered into a share sale and purchase agreement ("agreement") with Qatar Holding LLC, to acquire the remaining 40% shareholding of Nebras Power Q.P.S.C. on 30 December 2021. The completion of the agreement is subject to the fulfillment of the conditions stated in the agreement including a resolution of the QEWC shareholders authorizing the execution of the transaction before the long stop date, being on 30 June 2022.

On 5 January 2022, the Company entered into a bridge loan facility amounting to USD 550 million (QAR 2 billion) with Mizuho Bank, Ltd., to be applied towards its payment of the purchase price, fees and associated costs in respect to the acquisition of the remaining 40% interest in Nebras Power Q.P.S.C.

As at the reporting date, the Group has classified Nebras Power Company Q.P.S.C. as a joint venture, since the joint venture agreement between the two parties are effective until the Group fulfill all the conditions of the share sale and purchase agreement.

- (ii) During the year, the Group has invested an additional amount of QAR 143.7 million in Umm Al Houl Power Q.P.S.C. The additional investment has not changed the Company's shareholding percentage in the joint venture.
- (iii) On 3 September 2020, the General Tax Authority (GTA) issued an income tax assessment for the years from 2016 to 2017 requiring 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. In light of the tax assessment received, a provision for tax has been recognised amounting to USD 17.2 million (QAR 62.7 million). QPower recognized the same amount as a receivable as per the MOU signed on 2 February 2020.

Subsequently, on 26 January 2022, the GTA, in its response, clarified these taxation related uncertainties in favour of the Company. Further, in the appeal court hearing dated 27 January 2022, the appeal court has verbally communicated their decision with regard to the taxability of foreign shareholders' share of profits in the Company which is in line with the GTA response letter. However, there are certain matters which are yet to be clarified by the appeal court, which are expected to be clarified in the formal written decision in the near future. Based on the present available facts and circumstances, income tax provision and corresponding receivable from Kahramaa against its open tax assessments are not reversed, on a conservative basis, until a formal written decision is issued by the appeal court.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 9 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

Notes: (continued)

As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by QPower for the previous years. QPower also has pass through arrangements for income tax as per the terms of the PWPA. Accordingly, QPower has recorded income tax receivables of USD 17.2 million (QAR 62.7 million) against the tax assessment received for the same amount from the GTA. Management has applied its judgment in determining that the above arrangements will also cover any tax penalties to be paid, if any, for the prior years.

- (iv) On 29 August 2019, the General Tax Authority (GTA) issued an income tax assessment for the years from 2010 to 2018 requiring Ras Girtas Power Company Q.P.S.C. (RGPC) to pay additional taxes of USD 85 million (QAR 310 million). This includes penalties amounting to USD 27 million (QAR 98.4 million). The Company had a tax holiday for the period between April 2011 and March 2017.

RGPC wrote a detailed response to GTA on 26 September 2019 as per the requirement of the tax law, rejecting the full amount claimed by the GTA, however RGPC was not responded in due time. RGPC then filed an appeal with the Appeal Committee under the provisions of the law which is pending for hearing. However, in light of the tax assessment received, a provision for tax has been recognised of USD 85 million (QAR 310 million).

As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by 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.

- (v) The Company has invested an additional amount of QAR 64.1 million (2020: QAR 78.9 million) in Siraj Energy Q.P.S.C. The additional investment has not changed the Company's shareholding percentage.

#### *Loans receivable from joint ventures*

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	143,687	143,687
Additions during the year	-	63,342
Classified as investment in joint venture	<u>(143,687)</u>	<u>(63,342)</u>
At 31 December	<u>-</u>	<u>143,687</u>

- (vi) The cash advances provided to Umm Al Houl Power Q.P.S.C. has been considered as an additional investment in the joint venture, effective from 2021, in accordance with the joint venture agreement.

- (vii) The movements in the Group's investments in the joint ventures and an associate were as follows:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	3,999,992	4,545,352
Additional investments	209,417	78,874
Disposal	-	(3,250)
Share of profit for the year	570,121	550,935
Share of other comprehensive income/ (loss)	664,084	(581,104)
Dividend received	<u>(371,073)</u>	<u>(590,815)</u>
At 31 December	<u>5,072,541</u>	<u>3,999,992</u>

**9 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)**

\*Additional investments consist of investment made in Umm Al Houl Power Q.P.S.C. amounting to QAR 145,365 and Siraj Energy amounting to QAR 64,052 during the year ended 31 December 2021 (31 December 2020: Investment in Siraj Energy amounting to QAR 78,874).

The following table summarizes the financial information of the Group's joint ventures as included in their own financial statements and reconciles the summarised information to the carrying amount of the Group's interest in the joint ventures.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2021

**9 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)**

As at/ for the year ended 31 December 2021

	Qatar Power		Mesaieed Power		Ras Girtas		Nebras Power		Umm Al Hou		Sirqj Energy		Total
	Q.P.S.C.	QAR'000	Company Limited	Q.P.S.C.	QAR'000	Power Company	Q.P.S.C.	QAR'000	Power	Q.P.S.C.	QAR'000	Q.P.S.C.	
<i>Summarised statement of financial position</i>													
Non-Current Assets	1,024,712		5,870,320		10,728,230		4,984,358		10,836,279		337,657		33,781,556
Current assets	770,553		1,006,538		2,353,689		3,796,781		966,457		21,524		8,915,542
Non-Current Liabilities	(554,616)		(5,553,810)		(8,643,006)		(2,721,810)		(9,225,066)		(9,485)		(26,707,793)
Current Liabilities	(489,813)		(977,052)		(4,105,130)		(717,421)		(920,195)		-		(7,209,611)
Equity	750,836		345,996		333,783		5,341,908		1,657,475		349,696		8,779,694
Group's interest	412,960		138,398		150,202		3,205,145		994,485		171,351		5,072,541
<b>Carrying value of investments</b>	<b>412,960</b>		<b>138,398</b>		<b>150,202</b>		<b>3,205,145</b>		<b>994,485</b>		<b>171,351</b>		<b>5,072,541</b>
<i>Summarised statement of comprehensive income</i>													
Revenue/ other income	717,835		1,042,233		2,524,192		1,049,093		1,953,829		34,996		7,322,178
Profit for the year	140,682		160,733		342,433		206,270		225,161		31,631		1,106,910
Other comprehensive income for the year	42,635		511,984		786,393		54,881		572,001		29,039		1,996,933
Total comprehensive income	183,317		672,717		1,128,826		261,151		797,162		60,670		3,103,843
<b>Group's share of profit</b>	<b>77,375</b>		<b>64,293</b>		<b>154,095</b>		<b>123,762</b>		<b>135,097</b>		<b>15,499</b>		<b>570,121</b>
Group's share of other comprehensive income	23,449		204,794		353,877		32,929		343,201		14,229		972,479
Unrecognized share of comprehensive loss in 2020*	-		(81,846)		(226,549)		-		-		-		(308,395)
<b>Group's share of other comprehensive income</b>	<b>23,449</b>		<b>122,948</b>		<b>127,328</b>		<b>32,929</b>		<b>343,201</b>		<b>14,229</b>		<b>664,084</b>

\*This represents the unrecognized share of other comprehensive losses of Mesaieed Power Company Limited Q.P.S.C. and Ras Girtas Power Company Q.P.S.C. for the year ended 31 December 2020, as the carrying value of these investments became nil in 2020.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

#### 9 INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

As at/ for the year ended 31 December 2020

	Qatar Power Q.P.S.C. QAR'000	Mesaieed Power Company Limited Q.P.S.C. QAR'000	Ras Girtas Power Company Q.P.S.C. QAR'000	Nebras Power Q.P.S.C. QAR'000	Umm Al Houli Power Q.P.S.C. QAR'000	Siraj Energy Q.P.S.C. QAR'000	Total QAR'000
<i>Summarised statement of financial position</i>							
Non-Current Assets	1,241,082	6,093,256	11,127,799	4,096,424	10,964,266	146,436	33,669,263
Current assets	708,650	804,668	1,514,530	3,759,053	779,625	21,377	7,587,903
Non-Current Liabilities	(788,607)	(6,319,959)	(11,977,142)	(2,325,618)	(9,765,276)	(129,269)	(31,305,871)
Current Liabilities	(393,443)	(782,580)	(1,168,627)	(449,102)	(1,225,711)	(9,505)	(4,028,968)
Equity	767,682	(204,615)	(503,440)	5,080,757	752,904	29,039	5,922,327
Group's interest	422,225	-	-	3,048,454	451,742	14,229	3,936,650
Carrying value of investments	422,225	-	-	3,048,454	451,742	14,229	3,936,650
<i>Summarised statement of comprehensive income</i>							
Revenue/ other income	784,123	1,031,331	2,267,208	1,289,055	1,596,402	12,350	6,980,469
Profit (loss) for the year	176,682	172,932	266,144	284,932	166,850	(12,748)	1,054,792
Other comprehensive (loss) income for the year	(1,874)	(291,013)	(555,130)	(66,887)	(802,954)	16,721	(1,701,137)
Total comprehensive (loss) income	174,808	(118,081)	(288,986)	218,045	(636,104)	3,973	(646,345)
Group's share of profit (loss)	97,175	69,173	119,765	170,959	100,110	(6,247)	550,935
Group's share of other comprehensive (loss) income	(1,031)	(34,560)	(31,802)	(40,132)	(481,772)	8,193	(581,104)
Unrecognized share of comprehensive loss	-	(81,845)	(218,007)	-	-	-	(299,852)
Group's share of other comprehensive income	(1,031)	(116,405)	(249,809)	(40,132)	(481,772)	8,193	(880,956)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	2,571,376	1,955,212
Additions	-	500,000
Net change in fair value	<u>593,568</u>	<u>116,164</u>
At 31 December	<u><b>3,164,944</b></u>	<u><b>2,571,376</b></u>

During the year, dividend income of QAR 81,411 thousand (2020: QAR 70,534 thousand) was received from equity investments at fair value through other comprehensive income, which is included in "other income" in the consolidated statement of profit or loss (Note 29).

All equity investments at fair value through other comprehensive income are equity securities listed on the Qatar Exchange. The fair value of the quoted equity shares is determined by reference to the published price quotations.

**11 FINANCE LEASE RECEIVABLES**

Present value of minimum lease receivable is the gross lease receivable in the lease discounted at the interest rate implicit in the lease. The interest rate of 9.32% per annum (2020: 9.32% per annum) is estimated by the management as the interest rate implicit in the lease. Income from finance leases is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance lease receivables at the end of the reporting period were neither past due nor impaired.

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Gross lease receivable	1,147,871	1,383,594
Unearned finance income	<u>(324,565)</u>	<u>(409,981)</u>
Present value of minimum lease receivable	<u><b>823,306</b></u>	<u><b>973,613</b></u>

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Current portion	24,887	150,307
Non-current portion	<u>798,419</u>	<u>823,306</u>
	<u><b>823,306</b></u>	<u><b>973,613</b></u>

The non-current portion is further analysed as follows:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Later than one year and not later than five years	559,940	412,408
Later than five years	<u>238,479</u>	<u>410,898</u>
	<u><b>798,419</b></u>	<u><b>823,306</b></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**11 FINANCE LEASE RECEIVABLES (CONTINUED)**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Lease receivable balance as at 1 January	973,613	1,117,627
Lease interest recognized during the year	93,554	110,152
Capital and lease interest recovered during the year	<u>(243,861)</u>	<u>(254,166)</u>
Lease receivable balance as at 31 December	<u>823,306</u>	<u>973,613</u>

**12 OTHER ASSETS**

In October 2010, the Company paid QAR 23.8 million to Ras Laffan Services Company, a third party, for the acquisition of the rights, benefits, and obligations under a Technical Service Agreement. During 2011, the Company received an amount of QAR 5.9 million. The remaining amount of QAR 17.9 million is amortized over a period of 19 years.

Also, on 21 October 2006, the Company signed a Contractual Service Agreement with the Consortium of General Electric International Inc. and GE Energy Parts Inc. for maintenance of specified equipment (covered units) of RAF B2 Power and Water Plant. An amendment was signed between the parties on 24 April 2013 and by the same agreement the Company received a reduction in the variable hourly charges in return for a payment (milestone payment) of USD 3 million (QAR 10.94 million). The milestone payment is amortized over the period of the benefit, i.e. until the expiry of Contractual Service Agreement.

The movements in the above accounts were as follows:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	12,157	13,997
Amortisation (Note 30)	<u>(1,684)</u>	<u>(1,840)</u>
At 31 December	<u>10,473</u>	<u>12,157</u>

**13 INVENTORIES**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Spare parts	294,157	326,083
Provision for slow-moving inventories	<u>(232,111)</u>	<u>(261,865)</u>
	62,046	64,218
Chemicals	922	997
Consumables	<u>942</u>	<u>1,129</u>
	<u>63,910</u>	<u>66,344</u>

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	261,865	249,411
Provision made (Note 30)	5,215	14,233
Reversal of provision	(34,969)	-
Written-off	<u>-</u>	<u>(1,779)</u>
At 31 December	<u>232,111</u>	<u>261,865</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**14 TRADE AND OTHER RECEIVABLES**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Trade receivables (i)	434,097	436,493
Accrued interest receivable	21,618	11,180
Prepayments and advances	17,402	19,299
Dividend receivable	57,409	-
Other receivables (i)	35,514	26,562
	<u>566,040</u>	<u>493,534</u>

*Note:*

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

**15 BANK BALANCES AND CASH**

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Cash at bank – call and current accounts	353,915	100,395
Term deposits (i)	3,273,123	3,378,496
Cash in hand	75	75
	<u>3,627,113</u>	<u>3,478,966</u>
Bank balances and cash	3,627,113	3,478,966
Term deposits with original maturity over 90 days	<u>(2,997,645)</u>	<u>(2,816,446)</u>
<b>Cash and cash equivalents</b>	<u>629,468</u>	<u>662,520</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.

**16 SHARE CAPITAL**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</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>

All shares bear equal rights.

**17 LEGAL RESERVE**

In accordance with the provisions of the Qatar Commercial Companies' Law No. 11 of 2015 (as amended by Law No. 8 of 2021), a minimum amount of 10% of the profit in each year is required to be transferred to a legal reserve until the legal reserve becomes equal to 50% of the Company's paid-up share capital. This reserve is not available for distribution, except in circumstances specified in the above-mentioned Law. The Company made no transfers to its legal reserve in the current year and the comparative year as its legal reserve reached 50% of its paid-up share capital.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 18 GENERAL RESERVE

In accordance with the Company's Articles of Association, the General Assembly may allocate a portion of the profit to a general reserve. There is no restriction on the distribution of this reserve and the funds in the reserve are available for future development of the Company as decided by the General Assembly.

### 19 HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of interest rate swaps used for cash flow hedging.

	2021 QAR'000	2020 QAR'000
At 1 January	(2,513,650)	(1,891,900)
Share of other comprehensive profit/ (loss) from joint ventures and an associate	684,213	(566,889)
Net changes in fair value of interest rate swaps of the parent	<u>50,735</u>	<u>(54,861)</u>
<b>At 31 December</b>	<b><u>(1,778,702)</u></b>	<b><u>(2,513,650)</u></b>

### 20 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income.

	2021 QAR'000	2020 QAR'000
At 1 January	454,513	338,349
Net unrealised gain on equity investments designated at FVOCI	<u>593,568</u>	<u>116,164</u>
<b>At 31 December</b>	<b><u>1,048,081</u></b>	<b><u>454,513</u></b>

### 21 FOREIGN CURRENCY TRANSLATION RESERVE

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

	2021 QAR'000	2020 QAR'000
At 1 January	(14,215)	-
Share of other comprehensive loss from joint ventures	<u>(20,129)</u>	<u>(14,215)</u>
<b>At 31 December</b>	<b><u>(34,344)</u></b>	<b><u>(14,215)</u></b>

### 22 NON-CONTROLLING INTEREST

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

	2021 QAR'000	2020 QAR'000
<b><i>Ras Laffan Power Company Limited Q.P.S.C.</i></b>		
As at 1 January	207,745	235,948
Profit for the year	22,230	25,014
Dividend paid during the year	<u>(52,851)</u>	<u>(53,217)</u>
<b>As at 31 December</b>	<b><u>177,124</u></b>	<b><u>207,745</u></b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**22 NON-CONTROLLING INTEREST (CONTINUED)**

The financial information of group's subsidiary that has material non-controlling interest are provided below.

The summarised financial information below represents amounts before intragroup eliminations.

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Non-current assets	<b>815,395</b>	842,483
Current assets	<b>140,464</b>	265,225
Non-current liabilities	<b>17,737</b>	19,470
Current liabilities	<b>52,504</b>	49,509
Equity	<b><u>885,618</u></b>	<u>1,038,729</u>
Equity attributable to equity holders of the parent	<b>708,494</b>	830,984
Non-controlling interests	<b><u>177,124</u></b>	<u>207,745</u>
Total Equity	<b><u>885,618</u></b>	<u>1,038,729</u>
	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Revenue	<b><u>482,739</u></b>	<u>500,102</u>
Profit for the year	<b><u>111,151</u></b>	<u>125,069</u>
Equity attributable to equity holders of the parent	<b><u>88,921</u></b>	<u>100,055</u>
Profit attributable to non-controlling interests	<b><u>22,230</u></b>	<u>25,014</u>

**23 INTEREST BEARING LOANS AND BORROWINGS**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Loan (1)	<b>937,874</b>	1,007,869
Loan (2)	<b>546,750</b>	1,093,500
Loan (3)	<b>902,999</b>	939,247
Loan (4)	<b>457,812</b>	915,624
Loan (5)	<b>753,428</b>	789,141
Loan (6)	<b>452,691</b>	474,149
Loan (7)	<b>369,880</b>	428,739
Loan (8)	<b>299,324</b>	311,406
Loan (9)	<b>184,540</b>	213,905
Loan (10)	<b>364,500</b>	182,250
Loan (11)	<b><u>457,812</u></b>	<u>-</u>
<b>Total interest bearing loans and borrowings</b>	<b>5,727,610</b>	6,355,830
Financing arrangement costs	<b><u>(47,380)</u></b>	<u>(52,040)</u>
	<b><u>5,680,230</u></b>	<u>6,303,790</u>

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

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23 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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

	2021 QAR'000	2020 QAR'000
Current portion	2,097,274	2,447,771
Non-current portion	<u>3,582,956</u>	<u>3,856,019</u>
	<u>5,680,230</u>	<u>6,303,790</u>

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

- (1) The Company has entered into a credit agreement with MUFG Bank Ltd which acts as a facility agent and offshore security trustee for a credit facility amounting to USD 485.5 million (QAR 1,769 million) to finance the construction of RAF B2. Interest is charged at a rate of LIBOR plus 0.55% to 1.65% per annum as specified in the credit agreement. The loan is payable in semi-annual installments over the period of 23 years commencing from 1 December 2008.
- (2) The Company entered into a corporate revolving credit facility with a consortium of banks with Mizuho Bank Ltd acting as Facility Agent, mainly to partly finance the repayment of an existing USD 300 million (QAR 1,094 million) revolving facility. This loan carried interest at LIBOR plus a margin of 0.25%. The loan was repayable on or before the termination date, which was on 8 December 2016. The credit Facility was extended every year thereafter by adding amendment agreements (on 5 December 2016, 6 December 2017 and 29 November 2018). On 29 December 2018, the Company entered into an amendment agreement with the lenders to extend the term of the loan for one year with an interest of LIBOR plus 0.45%. The credit Facility was extended every year thereafter by adding amendment agreements. During the year, the Group settled USD 150 million (QAR 547 million) of the total facility.
- (3) On 4 July 2016, the Company entered into a credit facility with a consortium of banks to finance its RAF A3 plant facilities. This term loan facility of USD 294 million (QAR 1,072 million) carries interest at LIBOR plus 1.75%. The loan is payable in quarterly installments over the period of 270 months commencing from 9 January 2018.
- (4) On 2 July 2018, the Company has obtained a loan amounting to USD 251.2 million (QAR 915.6 million) for the purpose of working capital requirements. The loan carries interest at LIBOR plus 0.5% and the loan is fully payable on 2 July 2019. On 21 May 2019, the Company has entered into an amendment agreement to extend the term for one year with the same interest rate. On 23 June 2020, the Company entered into an amendment agreement to extend the term for one year with the interest rate of LIBOR plus 0.45%. On 22 June 2021, the Company has entered into an amendment agreement to extend the term for one year with the same interest rate and revised the total loan amount from USD 251.2 million (QAR 915.6 million) to USD 125.6 million (QAR 457.8 million).
- (5) The Company has availed a USD 270 million (QAR 984 million) Islamic credit facility with Qatar Islamic Bank in the form of Istisnaa' for the construction of RAF A2 plant facilities. Interest charged at a rate of LIBOR plus 1.75%. The loan is repayable in quarterly installments over the period of 20 years starting from 9 June 2016.
- (6) The Company entered into a credit facility agreement with Qatar National Bank to finance the construction of its RAF A2 plant facilities. This term loan facility of USD 180 million (QAR 656 million) carries interest at LIBOR plus a margin of 1.75% per annum. The loan is repayable in quarterly installments starting 9 June 2016.
- (7) The Company has entered into a facility agreement with a consortium of banks to finance its RAF A1 plant facilities. This term loan facility of USD 288.2 million (QAR 1,050 million) carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The loan is repayable in semi-annual installments over the period of 17 years starting from 30 June 2010 at a pre-determined repayment percentage multiplied against the principle amount outstanding as at the end of the availability period.

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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 23 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

- (8) On 4 July 2016, the Company availed a USD 96 million (QAR 350 million) Islamic credit facility in the form of Istisnaa' to finance the construction of RAF A3 plant. The loan is payable in quarterly installments over the period of 270 months commencing from 9 January 2018.
- (9) The Company has availed a USD 144.1 (QAR 525 million) Islamic credit facility in the form of Istisnaa' for the construction of three multi-stage flash type desalination units forming part of a fully functioning water-desalination plant at RAF A1. The loan is repayable in semi-annual installments starting 30 June 2010.
- (10) On 15 February 2017, the Company entered into a monthly rollover credit facility with DBS Bank Ltd, Dubai. This short-term loan facility of USD 50 million (QAR 182 million) carries interest at LIBOR plus 0.5%. On 15 February 2018 and 23 September 2020, the interest rate was revised as LIBOR plus 0.6% and LIBOR plus 0.65% respectively. On 31 May 2021, existing limits of the facility was revised to USD 100 million (QAR 364 million) with interest rate at LIBOR plus 0.65%.
- (11) On 20 June 2021, the Company availed a USD term loan facility with Bank of China Limited – Qatar Financial Centre Branch, to settle the Sumitomo Mitsui Banking Corporation loan of USD 125.6 million (QAR 457.8 million). This short-term loan facility of USD 125.6 million (QAR 457.8 million) carries interest at the aggregate of the applicable margin and LIBOR. The loan is repayable within a year.

On 5 January 2022, the Company entered into a bridge loan facility with Mizuho Bank, Ltd. acting as a Facility Agent, mainly to be applied towards its payment of the purchase price, fees and associated costs in respect to the acquisition of the remaining 40% interest in Nebras Power Q.P.S.C. The loan facility of USD 550 million (QAR 2 billion) carries interest at the aggregate of the applicable margin of 0.285% per annum and compounded Reference Rate for that day. The loan is payable in one year, after the date of the agreement.

#### 24 FAIR VALUE OF DERIVATIVES

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
<i>Liabilities</i>		
Current portion	29,700	32,111
Non-current portion	<u>2,552</u>	<u>50,876</u>
	<u>32,252</u>	<u>82,987</u>

#### 25 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
At 1 January	80,863	86,730
Provision made during the year	6,829	9,954
Payments made during the year	<u>(11,598)</u>	<u>(15,821)</u>
At 31 December	<u>76,094</u>	<u>80,863</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

**26 TRADE AND OTHER PAYABLES**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Trade payables (i)	108,862	89,035
Accrued expenses (i)	161,505	181,060
Dividend payable to shareholders	46,682	52,643
Provision for social and sports support fund	30,429	26,040
Provision for staff costs	14,640	17,676
Provision for claim received from Kahramaa (ii)	139,482	139,482
Other payables	186,244	178,407
	<u>687,844</u>	<u>684,343</u>

Notes:

- (i) Amount due to related parties are disclosed in Note 37.
- (ii) In December 2020, the Group recorded provision for claim received from Kahramaa of QAR 139.5 million related to excess capacity charges paid in excess of technical limit.

**27 REVENUE FROM WATER AND ELECTRICITY**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
<b>Revenue from contracts with customers</b>		
Sale of water	372,647	425,584
Sale of electricity	739,725	811,351
Operations and maintenance		
<i>Water</i>	242,980	257,090
<i>Electricity</i>	173,613	137,397
<b>Total revenue from contacts with customers</b>	<u>1,528,965</u>	<u>1,631,422</u>
<b>Operating lease revenue – capacity charges</b>		
Water	649,387	648,815
Electricity	202,608	195,861
	<u>2,380,960</u>	<u>2,476,098</u>

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

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

Total revenue is generated within the State of Qatar.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2021

**28 COST OF SALES**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Cost of gas consumed	841,711	1,002,546
Depreciation of property, plant and equipment (Note 6)	273,920	279,383
Staff costs	168,047	166,973
Spare parts, chemicals and consumables	70,395	100,091
Others	154,906	138,190
	<u>1,508,979</u>	<u>1,687,183</u>

**29 OTHER INCOME**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Interest income	72,361	76,824
Dividend income from equity investments at fair value through other comprehensive income (Note 10)	81,411	70,534
Profit on disposal of property, plant and equipment	-	91
Secondment income	25,004	28,747
Miscellaneous income	39,602	10,022
	<u>218,378</u>	<u>186,218</u>

**30 GENERAL AND ADMINISTRATION EXPENSES**

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Claim received from Kahramaa (Note 26)	-	139,482
Staff costs	81,696	80,648
Board of Directors' remuneration (Note 37)	11,750	11,750
Insurance	9,527	11,343
Amortisation of intangible assets (Note 8)	5,970	5,970
Provision for slow moving inventories (Note 13)	5,215	14,233
Depreciation of right-of-use assets (Note 7)	4,191	3,281
Professional fees	3,984	4,057
Recruitment and training expenses	3,685	3,332
Depreciation of property, plant and equipment (Note 6)	1,712	2,085
Amortisation of other assets (Note 12)	1,684	1,840
Telephone postage and couriers	1,380	953
Repairs and maintenance	1,202	1,336
Board committee remuneration (Note 37)	1,030	1,030
Donations	1,000	1,139
Subscription and licenses	789	892
Office expenses	618	376
Advertisement and public relation expenses	252	543
Rent expense	-	1,610
Miscellaneous expenses	12,514	17,329
	<u>148,199</u>	<u>303,229</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 31 FINANCE COSTS

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Interest on bank loans	113,389	147,848
Interest on lease liabilities (Note 7)	1,376	1,408
Bank charges	975	1,031
	<u>115,740</u>	<u>150,287</u>

### 32 EARNINGS PER SHARE

#### Basic earnings per share

The calculation of basic earnings per share is arrived by dividing the profit attributable to the equity holders of the Parent for the year by the weighted average number of ordinary shares outstanding during the year.

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Profit for the year attributable to equity holders of the Company	1,467,865	1,157,690
Weighted average number of shares outstanding during the year (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>1.33</u>	<u>1.05</u>

#### Diluted earnings per share

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

### 33 DIVIDENDS

During the year, the Company declared and paid a cash dividend of QAR 0.630 per share totalling to QAR 693 million (2020: QAR 0.775 per share totalling to 852.5 million).

The proposed dividend amounting to QAR 880 million for the year ended 31 December 2021 will be submitted for formal approval at the next Annual General Meeting of the Company and not recognised as a liability as at 31 December 2021.

### 34 CONTRIBUTION TO SOCIAL AND SPORTS FUND

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation of QAR 30.4 million for the year ended 31 December 2021 (2020: QAR 26.3 million) to the Social and Sports Fund of Qatar.

### 35 SEGMENTAL INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

36 COMMITMENTS AND CONTINGENT LIABILITIES

	2021 QAR'000	2020 QAR'000
<b>(a) Capital commitments</b>	<u>2,332</u>	<u>68,847</u>
<b>(b) Contingent liabilities:</b>		
Corporate guarantees issued on behalf of joint ventures	450,244	550,987
Letter of credits	<u>95,562</u>	<u>100,160</u>
	<u>545,806</u>	<u>651,147</u>
<b>(c) Other commitments:</b>		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	<u>1,146,260</u>	<u>1,198,482</u>

37 RELATED PARTY DISCLOSURES

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

Transactions with related parties included in the statement of profit and loss are as follows:

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	2021 QAR'000	2020 QAR'000
KAHRAMAA	Shareholder	Electricity income	1,115,945	1,144,608
		Sale of desalinated water	1,255,434	1,319,391
		Lease income from plant	<u>93,554</u>	<u>110,152</u>
			<u>2,464,933</u>	<u>2,574,151</u>
QatarEnergy	Shareholder	Sale of desalinated water	<u>9,581</u>	<u>12,099</u>
QatarEnergy	Shareholder	Cost of gas consumed	<u>841,711</u>	<u>1,002,546</u>

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

	<i>Nature of the relationship</i>	2021 QAR'000		2020 QAR'000	
		<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>	<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>
KAHRAMAA	Shareholder	428,750	145,143	432,254	143,339
QatarEnergy	Shareholder	19,036	130,263	20,529	127,891
Siraj Energy Q.P.S.C.	Associate	5,920	-	3,321	-
Nebras Power Q.P.S.C.	Joint venture	4,145	-	2,698	-
Umm Al Houl Power Q.P.S.C.	Joint venture	4,918	-	1,806	-
Qatar Power Q.P.J.S.C.	Joint venture	1,176	-	1,196	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	58,674	-	783	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	<u>1,197</u>	<u>-</u>	<u>468</u>	<u>-</u>
		<u>523,816</u>	<u>275,406</u>	<u>463,055</u>	<u>271,230</u>

**37 RELATED PARTY DISCLOSURES (CONTINUED)**

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

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

**Compensation of key management personnel**

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

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
Directors' fees	11,750	11,750
Management remuneration	4,258	4,884
Board committee remuneration	1,030	1,030
	<u>17,038</u>	<u>17,664</u>

**38 FINANCIAL RISK AND CAPITAL MANAGEMENT**

**Financial risk management**

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

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group is exposed to market risk, credit risk and liquidity risk and policies for managing each of these risks are summarized below.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to hedge its interest rate risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

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

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38 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

*Market risk (continued)*

*Interest rate risk*

The Group's interest rate risk arises from bank deposits and borrowings. Bank deposits are entered into at fixed rates, which expose the Group to fair value interest rate risk, but management believes that this type of risk is not significant. Borrowings are issued at variable rates which expose the Group to cash flow interest rate risk. The Group has minimised the interest rate risk using interest rate swap contracts.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments were:

	<i>2021</i> <i>QAR'000</i>	<i>2020</i> <i>QAR'000</i>
<i>Fixed rate instruments:</i>		
Financial assets	<u>3,273,123</u>	<u>3,378,496</u>
<i>Floating interest rate instruments:</i>		
Interest bearing loans and borrowings	<u>(5,727,610)</u>	<u>(6,355,830)</u>
Effect of interest rate swaps	<u>1,146,260</u>	<u>1,198,482</u>
	<u>(4,581,350)</u>	<u>(5,157,348)</u>

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated profit or loss statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the end of each reporting period, including the effect of hedging instruments.

	<i>Change in basis points</i>	<i>Effect on profit QAR'000</i>	<i>Effect on equity QAR'000</i>
<b>2021</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	+25	(14,319)	(14,319)
	-25	14,319	14,319
Interest rate swaps	+25	2,880	2,880
	-25	(2,880)	(2,880)
<b>2020</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	+25	(15,890)	(15,890)
	-25	15,890	15,890
Interest rate swaps	+25	2,996	2,996
	-25	(2,996)	(2,996)

*Equity price risk*

All the Group's equity investments are listed on the Qatar Exchange.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Change in equity price</i>	<i>Effect on equity 2021 QAR'000</i>	<i>Effect on equity 2020 QAR'000</i>
Quoted shares	<u>10%</u>	<u>316,494</u>	<u>257,138</u>

38 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

*Market risk (continued)*

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The deposits of the Group are in QAR and USD. As the QAR is pegged to the USD, balances in USD are not considered to represent a significant currency risk. Management believes that the Group's exposure to currency risk is minimal.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit quality of a customer is assessed based on an extensive credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The Group is exposed to credit risk on its financial assets as shown below:

	<i>2021</i> <i>QAR' 000</i>	<i>2020</i> <i>QAR' 000</i>
Bank balances	3,627,038	3,478,891
Finance lease receivables	823,306	973,613
Trade receivables	434,097	436,493
Dividend receivable	57,409	-
Loan receivable from joint ventures	-	143,687
Accrued interest receivable	21,618	11,180
Other receivables	35,514	26,562
	<u>4,998,982</u>	<u>5,070,426</u>

The Group seeks to limit its credit risk with respect to banks by dealing with reputable banks. With respect to credit risk arising from the other financial assets of the Group, including bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The total exposure to credit risk for trade receivables as at the reporting date is limited to Qatar. Moreover, the Group's receivables consist mainly of amounts due from KAHRAMAA, who is the sole distributor of power in the State of Qatar. As KAHRAMAA is contractually committed to discharge its obligation, management believes that the credit risk with respect to receivables is limited. In addition to that, these receivables are shown after review of their recoverability.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At the reporting date, the Group's assessment has concluded that expected credit losses on receivables are considered to be clearly insignificant.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

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

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38 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

*Credit risk (continued)*

Set out below is the information about the credit risk exposure on the Group's financial assets using a provision matrix:

31 December 2021	Current QAR'000	Days past due			Total QAR'000
		30-60 days QAR'000	61-90 days QAR'000	> 91 days QAR'000	
Trade receivables	434,097	-	-	-	434,097
Bank balances	3,627,038	-	-	-	3,627,038
Finance lease receivable	823,306	-	-	-	823,306
31 December 2020	Current QAR'000	Days past due			Total QAR'000
Trade receivables	434,232	-	-	2,261	436,493
Bank balances	3,478,891	-	-	-	3,478,891
Finance lease receivable	973,613	-	-	-	973,613

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

*Liquidity risk*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

38 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

*Liquidity risk (continued)*

The following are the contractual maturities of financial liabilities:

	<i>Carrying amounts QAR'000</i>	<i>Less than 1 year QAR'000</i>	<i>1 – 2 years QAR'000</i>	<i>More than 2 years QAR'000</i>
<b>31 December 2021</b>				
Trade payables	248,344	248,344	-	-
Accrued expenses	161,505	161,505	-	-
Other liabilities	277,995	277,995	-	-
Lease liabilities	26,103	3,037	23,066	-
Interest bearing loans and borrowings	5,727,610	2,097,274	465,530	3,164,806
Derivative financial instruments	32,252	29,700	2,552	-
	<b>6,473,809</b>	<b>2,817,855</b>	<b>491,148</b>	<b>3,164,806</b>
	<i>Carrying amounts QAR'000</i>	<i>Less than 1 year QAR'000</i>	<i>1 – 2 years QAR'000</i>	<i>More than 2 years QAR'000</i>
<b>31 December 2020</b>				
Trade payables	89,035	89,035	-	-
Accrued expenses	181,060	181,060	-	-
Other liabilities	414,248	414,248	-	-
Lease liabilities	32,182	3,211	28,971	-
Interest bearing loans and borrowings	6,355,830	2,455,096	276,187	3,624,547
Derivative financial instruments	82,987	32,111	30,443	20,433
	<b>7,155,342</b>	<b>3,174,761</b>	<b>335,601</b>	<b>3,644,980</b>

**Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of economic conditions. The Board of Directors monitors the return on capital. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total equity and net debt. The debt is calculated as total borrowings (including current and non-current loans as shown on the consolidated statement of financial position) less cash and cash equivalents.

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

	<i>2021 QAR'000</i>	<i>2020 QAR'000</i>
Total interest bearing loans and borrowings	5,727,610	6,355,830
Cash and bank balances	(3,627,113)	(3,478,966)
Net debt	<b>2,100,497</b>	2,876,864
Equity attributable to equity holders of the parent	<b>11,810,835</b>	9,758,242
Total equity and net debt	<b>13,911,332</b>	12,635,106
Gearing ratio	<b>15%</b>	23%

### 39 FAIR VALUES OF ASSETS AND LIABILITIES

The following table shows fair values of assets and liabilities, including their levels in the fair value hierarchy for financial instruments carried at fair value.

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

<i>At 31 December 2021</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
<b>Financial assets measured at fair value:</b>				
Equity investments at fair value through other comprehensive income	<u>3,164,944</u>	<u>-</u>	<u>-</u>	<u>3,164,944</u>
<b>Financial liabilities measured at fair value:</b>				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	<u>-</u>	<u>32,252</u>	<u>-</u>	<u>32,252</u>

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

<i>At 31 December 2020</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
<b>Financial assets measured at fair value:</b>				
Equity investments at fair value through other comprehensive income	<u>2,571,376</u>	<u>-</u>	<u>-</u>	<u>2,571,376</u>
<b>Financial liabilities measured at fair value:</b>				
<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 years ended 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 3 fair value measurements.

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

### 40 ASSET HELD FOR SALE

On 14 December 2020, the Board of Directors of the Group approved the sale of the land including related improvements and instructed management to execute this sale within one year. Accordingly, the land including related improvements, is classified as an asset held for sale. As at 31 December 2021, there was no write-down of the carrying value of the land including related improvements, as the carrying amount of the land including related improvements, did not fall below its fair value less costs to sell.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

### 41 EFFECT OF COVID 19

The Coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. The Group has been closely monitoring the latest developments in the current evolving situation and the volatility in the oil prices and, has carried out an assessment based on the observable information as at 31 December 2021. As a result, certain changes have been incorporated in the Expected Credit Loss (ECL) calculation to reflect the observable current Macro-Economic factors and forward-looking information.

Based on the management's assessment carried at 31 December 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 consolidated financial statements as at 31 December 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 December 2021.

### 42 COMPARATIVE INFORMATION

Certain amounts in the prior year financial statements and supporting note disclosures have been reclassified to reflect the loan receivables from a joint venture classified as investment in joint ventures and an associate. Such reclassifications are not material and did not have an impact on the previously reported profit, other comprehensive income or the total consolidated equity of the comparative year. The effects of such reclassifications are as follows:

	<i>As previously reported QAR'000</i>	<i>Effect of adjustments QAR'000</i>	<i>After adjustments QAR'000</i>
Investment in joint ventures and an associate	<u>3,936,650</u>	<u>63,342</u>	<u>3,999,992</u>
Loan receivable from joint ventures	<u>207,029</u>	<u>(63,342)</u>	<u>143,687</u>