

Qatar Electricity and Water Company Q.P.S.C.
Condensed Consolidated Interim Financial Information

30 June 2022

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

**Condensed Consolidated Interim Financial Information
30 June 2022**

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Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders of Qatar Electricity and Water Company Q.P.S.C.

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial information of Qatar Electricity and Water Company Q.P.S.C. (the "Company") and its subsidiaries (together the "Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the for the three-month and six-month period ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2022; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in



Independent auditors' report on review of condensed consolidated interim financial information (continued)

Scope of review (continued)

scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The condensed consolidated interim financial information as at and for the six-month period ended 30 June 2021 were reviewed, and the consolidated financial statements as at and for the year ended 31 December 2021, were audited by another auditor, whose review and audit reports dated 14 July 2021 and 13 February 2022 respectively, expressed an unmodified review conclusion and an unmodified audit opinion thereon.

17 July 2022
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251

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

**Condensed consolidated statement of financial position
As at 30 June 2022**

In thousands of Qatari Riyals

| | Notes | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|-------|-------------------------------|----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 4,742,225 | 4,805,110 |
| Right-of-use assets | | 34,874 | 22,935 |
| Goodwill and other intangible assets | | 75,589 | 78,575 |
| Investments in joint ventures and an associate | 8 | 6,580,536 | 5,072,541 |
| Equity investments at fair value through other comprehensive income | 9 | 3,225,867 | 3,164,944 |
| Finance lease receivables | 10 | 782,749 | 798,419 |
| Positive fair value of interest rate swaps for hedging | 15 | 32,148 | - |
| Other assets | | 9,627 | 10,473 |
| | | <u>15,483,615</u> | <u>13,952,997</u> |
| Current assets | | | |
| Inventories | | 99,099 | 63,910 |
| Trade and other receivables | | 462,610 | 566,040 |
| Finance lease receivables | 10 | 28,959 | 24,887 |
| Positive fair value of interest rate swaps for hedging | 15 | 1,418 | - |
| Bank balances and cash | 11 | 4,814,152 | 3,627,113 |
| | | <u>5,406,238</u> | <u>4,281,950</u> |
| Asset held-for-sale | 23 | - | 255,535 |
| | | <u>5,406,238</u> | <u>4,537,485</u> |
| TOTAL ASSETS | | <u>20,889,853</u> | <u>18,490,482</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 12 | 1,100,000 | 1,100,000 |
| Legal reserve | | 550,000 | 550,000 |
| General reserve | 13 | 3,241,834 | 3,241,834 |
| Hedge reserve | 15 | (201,219) | (1,778,702) |
| Fair value reserve | | 1,144,842 | 1,048,081 |
| Foreign currency translation reserve | | (12,103) | (34,344) |
| Retained earnings | | 7,515,703 | 7,683,966 |
| Equity attributable to equity holders of the parent | | <u>13,339,057</u> | <u>11,810,835</u> |
| Non-controlling interest | | 169,305 | 177,124 |
| Total equity | | <u>13,508,362</u> | <u>11,987,959</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 14 | 3,438,773 | 3,582,956 |
| Negative fair value of interest rate swaps for hedging | 15 | - | 2,552 |
| Lease liabilities | | 34,006 | 23,066 |
| Employees' end of service benefits | | 79,657 | 76,094 |
| | | <u>3,552,436</u> | <u>3,684,668</u> |
| Current liabilities | | | |
| Interest bearing loans and borrowings | 14 | 3,191,251 | 2,097,274 |
| Negative fair value of interest rate swaps for hedging | 15 | - | 29,700 |
| Lease liabilities | | 3,513 | 3,037 |
| Trade and other payables | | 634,291 | 687,844 |
| | | <u>3,829,055</u> | <u>2,817,855</u> |
| Total liabilities | | <u>7,381,491</u> | <u>6,502,523</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>20,889,853</u> | <u>18,490,482</u> |

This condensed consolidated interim financial information was approved by the Board of Directors and signed on its behalf by the following on 17 July 2022.



Saad Bin Sherida Al-Kaabi
Chairman



Mohammed Nasser Al-Hajri
Managing Director and General Manager



The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial information

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

Condensed consolidated statement of profit or loss and other comprehensive income

For the three-month and six-month period ended 30 June 2022

In thousands of Qatari Riyals

| | Notes | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|-------|---|--------------------|---|--------------------|
| | | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| Revenue from water and electricity | 16 | 617,873 | 574,363 | 1,163,193 | 1,150,144 |
| Lease interest income | | 17,560 | 25,804 | 37,108 | 50,815 |
| | | <u>635,433</u> | <u>600,167</u> | <u>1,200,301</u> | <u>1,200,959</u> |
| Cost of sales | 17 | (376,879) | (358,454) | (737,224) | (725,126) |
| Gross profit | | <u>258,554</u> | <u>241,713</u> | <u>463,077</u> | <u>475,833</u> |
| Other income | 18 | 128,354 | 70,061 | 296,770 | 150,447 |
| Loss on sale of asset held-for-sale | 23 | (86,084) | - | (86,084) | - |
| General and administrative expenses | | (32,767) | (30,336) | (73,431) | (68,102) |
| Operating profit | | <u>268,057</u> | <u>281,438</u> | <u>600,332</u> | <u>558,178</u> |
| Finance costs | | (39,877) | (28,740) | (71,535) | (58,235) |
| Share of results from joint ventures and an associate – net of tax | | 73,050 | 166,330 | 165,455 | 297,530 |
| Profit for the period | | <u>301,230</u> | <u>419,028</u> | <u>694,252</u> | <u>797,473</u> |
| Other comprehensive income: <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | | |
| Share of other comprehensive income from joint ventures and an associate – interest rate swaps for hedging – net of related tax | 15 | 671,862 | (243,990) | 1,511,664 | 351,001 |
| Share of other comprehensive income from joint ventures and an associate – exchange differences on translation of foreign operations | | (46,161) | 5,190 | 22,241 | (8,211) |
| Effective portion of changes in fair value of interest rate swaps for hedging – net of related tax | 15 | 21,900 | 1,313 | 65,819 | 27,089 |
| | | <u>647,601</u> | <u>(237,487)</u> | <u>1,599,724</u> | <u>369,879</u> |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | | |
| Net change in fair value of equity investments at fair value through other comprehensive income | 9 | (437,652) | 124,972 | 124,062 | 247,291 |
| Other comprehensive income for the period | | <u>209,949</u> | <u>(112,515)</u> | <u>1,723,786</u> | <u>617,170</u> |
| Total comprehensive income for the period | | <u>511,179</u> | <u>306,513</u> | <u>2,418,038</u> | <u>1,414,643</u> |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | 295,881 | 412,727 | 684,575 | 784,684 |
| Non-controlling interest | | 5,349 | 6,301 | 9,677 | 12,789 |
| | | <u>301,230</u> | <u>419,028</u> | <u>694,252</u> | <u>797,473</u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the parent | | 505,830 | 300,212 | 2,408,361 | 1,401,854 |
| Non-controlling interest | | 5,349 | 6,301 | 9,677 | 12,789 |
| | | <u>511,179</u> | <u>306,513</u> | <u>2,418,038</u> | <u>1,414,643</u> |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share (Qatari Riyals) | 19 | 0.27 | 0.38 | 0.62 | 0.71 |

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial information

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

**Condensed consolidated statement of changes in equity
For the six-month period ended 30 June 2022**

In thousands of Qatari Riyals

| | Attributable to equity holder of the parent | | | | | | | Non- controlling interest | Total equity | |
|---|---|------------------|--------------------|-------------------------------|-----------------------|---|----------------------|---------------------------------|-----------------|------------|
| | Share capital | Legal reserve | General reserve | Cash flow hedge reserve | Fair value reserve | Foreign currency translation reserve | Retained earnings | | | Total |
| Balance as at 1 January 2022 | 1,100,000 | 550,000 | 3,241,834 | (1,778,702) | 1,048,081 | (34,344) | 7,683,966 | 11,810,835 | 177,124 | 11,987,959 |
| Profit for the period | - | - | - | - | - | - | 684,575 | 684,575 | 9,677 | 694,252 |
| Other comprehensive income | - | - | - | 1,577,483 | 124,062 | 22,241 | - | 1,723,786 | - | 1,723,786 |
| Total comprehensive income | - | - | - | 1,577,483 | 124,062 | 22,241 | 684,575 | 2,408,361 | 9,677 | 2,418,038 |
| Transfer upon disposal of equity securities | - | - | - | - | (27,301) | - | 27,301 | - | - | - |
| Dividends relating to year 2021 (Note 12) | - | - | - | - | - | - | (880,000) | (880,000) | (17,496) | (897,496) |
| Contribution to social and sports support fund - 2021 | - | - | - | - | - | - | (139) | (139) | - | (139) |
| Balance at 30 June 2022 (Reviewed) | 1,100,000 | 550,000 | 3,241,834 | (201,219) | 1,144,842 | (12,103) | 7,515,703 | 13,339,057 | 169,305 | 13,508,362 |
| Balance as at 1 January 2021 | 1,100,000 | 550,000 | 3,241,834 | (2,513,650) | 454,513 | (14,215) | 6,939,760 | 9,758,242 | 207,745 | 9,965,987 |
| Profit for the period | - | - | - | - | - | - | 784,684 | 784,684 | 12,789 | 797,473 |
| Other comprehensive income | - | - | - | 378,090 | 247,291 | (8,211) | - | 617,170 | - | 617,170 |
| Total comprehensive income | - | - | - | 378,090 | 247,291 | (8,211) | 784,684 | 1,401,854 | 12,789 | 1,414,643 |
| Dividends relating to year 2020 (Note 12) | - | - | - | - | - | - | (693,000) | (693,000) | (26,244) | (719,244) |
| Contribution to social and sports support fund - 2020 | - | - | - | - | - | - | (225) | (225) | - | (225) |
| Balance at 30 June 2021 (Reviewed) | 1,100,000 | 550,000 | 3,241,834 | (2,135,560) | 701,804 | (22,426) | 7,031,219 | 10,466,871 | 194,290 | 10,661,161 |



The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial information.

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

**Condensed consolidated statement of cash flows
For the six-month period ended 30 June 2022**

In thousands of Qatari Riyals

| | Notes | For the six-month period 30 June | |
|--|-------|-------------------------------------|--------------------|
| | | 2022 (Reviewed) | 2021 (Reviewed) |
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 694,252 | 797,473 |
| <i>Adjustments for:</i> | | | |
| Depreciation of property, plant and equipment | | 102,726 | 136,145 |
| Depreciation of right-of-use assets | | 3,351 | 2,111 |
| Property, plant and equipment written-off | | - | 1,946 |
| Interest expense on lease liabilities | | 1,175 | 1,255 |
| Provision for employees' end of service benefits | | 5,645 | 4,337 |
| Gain in termination of leases | | 79 | - |
| Amortization of intangible assets | | 2,985 | 2,985 |
| Amortization of non-current assets | | 846 | 843 |
| Share of results of joint ventures and an associate | 8 | (165,455) | (297,530) |
| Dividend income from equity investments at FVOCI | 18 | (160,909) | (71,056) |
| Interest income | 18 | (49,589) | (30,887) |
| Reversal of provision on slow-moving and obsolete inventories | 18 | (62,434) | - |
| Loss on sale of asset held-for-sale | 23 | 86,084 | - |
| Interest expense | | 70,233 | 56,493 |
| Operating profit before working capital changes | | 528,989 | 604,115 |
| <i>Working capital adjustments:</i> | | | |
| Inventories | | 27,245 | 3,148 |
| Trade and other receivables | | 95,068 | (9,710) |
| Finance lease receivables | | 11,598 | 71,707 |
| Trade and other payables | | (60,352) | (39,967) |
| Cash flows from operating activities | | 602,548 | 629,293 |
| Employees' end of service benefits paid | | (2,081) | (3,438) |
| Net cash generated from operating activities | | 600,467 | 625,855 |
| INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 7 | (39,850) | (39,315) |
| Proceeds from sale of asset held-for-sale – net of expenses | | 169,460 | - |
| Dividends received from joint ventures and an associate | 8 | 191,364 | 211,590 |
| Proceeds from sale of equity investments at FVOCI | 9 | 63,139 | - |
| Dividends received from equity investments at FVOCI | | 160,909 | 71,056 |
| Net movement in loan receivable from joint ventures and an associate | | - | (65,927) |
| Interest received | | 57,951 | 27,127 |
| Net movement in term deposits with original maturity over 90 days | | 868,314 | 34,783 |
| Net cash from investing activities | | 1,471,287 | 239,314 |
| FINANCING ACTIVITIES | | | |
| Net movements in interest bearing loans and borrowings | | 946,128 | (130,032) |
| Dividends paid to the owners of the parent | | (873,335) | (682,922) |
| Dividend paid to non-controlling interests | | (17,496) | (26,244) |
| Payment of lease liabilities | | (5,131) | (3,482) |
| Interest paid | | (66,568) | (57,902) |
| Net cash used in financing activities | | (16,402) | (900,582) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | | |
| | | 2,055,352 | (35,413) |
| Cash and cash equivalents at 1 January | | 629,468 | 662,520 |
| Cash and cash equivalents at 30 June | 11 | 2,684,820 | 627,107 |

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial information.

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

Notes to the condensed consolidated interim financial information As at and for the six-month period ended 30 June 2022

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 Qatar Navigation Tower in Al-Dafna Area, West Bay, Doha, State of Qatar. The Company's shares are listed on the Qatar Exchange since 3 May 1998.

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

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

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

| Name of entities | Principal activity | Country of incorporation | Ultimate ownership interest | |
|-------------------------------------|---|--------------------------|-----------------------------|------|
| | | | 2022 | 2021 |
| Ras Laffan Operating Company W.L.L. | Plant operation and maintenance | Qatar | 100% | 100% |
| Ras Laffan Power Company Q.P.S.C. | Generation of electricity and production of desalinated water | Qatar | 80% | 80% |

The Company has the following joint ventures and an associate at 30 June:

| Name of entities | Principal activity | Country of incorporation | Ultimate ownership interest | |
|-----------------------------------|---|--------------------------|-----------------------------|------|
| | | | 2022 | 2021 |
| Qatar Power Q.J.P.S.C. | Generation of electricity and production of desalinated water | Qatar | 55% | 55% |
| Mesaieed Power Company Q.P.S.C. | Generation of electricity | Qatar | 40% | 40% |
| Ras Girtas Power Company Q.P.S.C. | Generation of electricity and production of desalinated water | Qatar | 45% | 45% |
| Nebras Power Q.P.S.C. | Investments in electricity and desalinated water projects outside Qatar | Qatar | 60% | 60% |
| Umm Al Houl Power Q.P.S.C. | Generation of electricity and production of desalinated water | Qatar | 60% | 60% |
| Siraj Energy Q.P.S.C. | Identifying, evaluating and development of Solar power opportunities. | Qatar | 49% | 49% |

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

Notes to the condensed consolidated interim financial information As at and for the six-month period ended 30 June 2022

2. Basis of preparation

The condensed consolidated interim financial information for the six-month period ended 30 June 2022 have been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34").

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

The condensed consolidated interim financial information has been presented in Qatar Riyals ("QAR"), which is the functional currency of the Group.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. In addition, the results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

This condensed consolidated interim financial information was authorised for issue by the Board of Directors on 17 July 2022.

3. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information is consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022.

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

New and amended standards and interpretations adopted by the Group

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing this condensed consolidated interim financial information.

| Description | Effective for annual periods beginning after |
|---|---|
| COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 | 1 April 2021 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 |

These amendments had no impact on the condensed consolidated interim financial information of the Group.

Standards issued but not yet effective

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

3. Significant accounting policies (continued)

Standards issued but not yet effective (continued)

| Topics | Effective date |
|--|--|
| Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1 IFRS 17 Insurance Contracts Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 Definition of Accounting Estimate – Amendments to IAS 8 Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 | 1 January 2023 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Available for optional adoption/ effective date deferred indefinitely |

4. Use of judgments and estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

5. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2021.

6. Segmental information

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

7. Property, plant and equipment

Acquisitions

During the six-month period ended 30 June 2022, the Group acquired assets with a cost of QAR 39,850 thousand (Year ended 31 December 2021: QAR 42,435 thousand).

Disposals / write-offs

Disposals / write-offs made during the six-month period ended 30 June 2022 amounted to QAR 17,714 thousand (Year ended 31 December 2021: QAR 66,624 thousand)

Reversal of depreciation charge

During the period, there was a reversal of depreciation amounting to QAR 39.67 million due to the change in the estimated useful life and residual value of capital spares.

8. Investments in joint ventures and an associate

| | Country of incorporation | Group effective ownership % | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|--|--------------------------------|--------------------------------------|--|----------------------------------|
| <i>The Group has investment in the following joint ventures:</i> | | | | |
| Nebras Power Q.P.S.C. (Note i and ii) | Qatar | 60% | 3,190,091 | 3,205,145 |
| Umm Al Houf Power Q.P.S.C. | Qatar | 60% | 1,737,798 | 994,485 |
| Qatar Power Q.J.P.S.C. (Note iii) | Qatar | 55% | 420,560 | 412,960 |
| Ras Girtas Power Company Q.P.S.C. (Note iv) | Qatar | 45% | 641,389 | 150,202 |
| Mesaieed Power Company Q.P.S.C. | Qatar | 40% | 366,566 | 138,398 |
| | | | 6,356,404 | 4,901,190 |
| <i>The Group has investment in the following associate:</i> | | | | |
| Siraj Energy Q.P.S.C. (Note v) | Qatar | 49% | 224,132 | 171,351 |
| | | | 6,580,536 | 5,072,541 |

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. As at 30 June 2022, all the conditions stated in the agreement are fulfilled except for approval from the Ministry of Commerce and Industry is pending which is substantial and expected to be completed in Q3 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.

On 13 February 2022, the shareholders of the Company has approved the above transaction. However, the other conditions which includes obtaining approvals from various authorities are still pending, as a result, the Group has continued to classify 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 including the transfer of consideration and the voting rights.

- (ii) During 2021, Nebras Power Company Q.P.S.C. (Nebras) acquired 75% shareholding in solar assets in Ukraine over which a goodwill of QAR 76.7 million was recognised. Due to the current Russia and Ukraine matter, the impairment indicators were identified for Group's five power solar plants in Ukraine. The situation in Ukraine as of the reporting date remains extremely challenging and the outcome of the current war and its impact on Group's investment in Ukraine is highly uncertain.

Given the current situation, management has assumed a worst-case scenario, where the solar plants could be physically damaged in the near future, leading to no future revenues and cash collections. Based on this assumption, management has fully provided its investment in five solar power plants and has recognised an impairment loss of QAR 113 million during the period. Management will continue to monitor its investment in Ukraine in the foreseeable future and will also explore alternative options to counter any further losses if any.

- (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).

8. Investments in joint ventures and an associate (continued)

Notes: (continued)

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 Qpower. Further, in the appeal court hearing dated 27 January 2022, the appeal court verbally communicated their decision with regard to the taxability of foreign shareholders' share of profits in Qpower which is in line with the GTA response letter. However, there were certain matters which were not clarified by the appeal court, and were expected to be clarified in the formal written decision.

The formal written decision letter was received by Qpower on 14 February 2022, wherein it was clarified that foreign shareholding needs to be adjusted while also disallowing "Directors' remuneration" from taxable profits and reducing the resultant penalties to 30%. Management has noted certain interpretation related differences pertaining to the adjustment of foreign shareholding in Qpower, which were not clarified in the written letter, where the letter does not specify to what extent the foreign shareholding of QEWC will be adjusted. Further, the decision is also silent with regards to the retrospective application of taxability of indirect foreign shareholding of QEWC in Qpower, for the years 2016 and 2017 (open assessment years) since this requirement was introduced in 2019 only after the enactment of the New Executive Tax Regulations. Qpower management has raised the matter to the primary court requesting the court to plea that the tax assessments for the years 2016 and 2017 are incorrect. A hearing was held on 29 June 2022, and the court had appointed an independent expert to calculate the foreign shareholding in QEWC and its related tax liability.

Based on the present available facts and circumstances, income tax provision and corresponding receivable from KAHRAMMA against its open tax assessments are not reversed, on a conservative basis, until a formal written decision is issued by the appeal court.

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 from April 2011 until 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 amounting to 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.

8. Investments in joint ventures and an associate (continued)

Notes: (continued)

- (v) For the construction of the solar asset in Siraj(1) (underlying asset in Siraj Energy), the first target power date was initially planned to be achieved in April 2021, however, due to COVID-19 and other factors, the construction was delayed, and the target first power date is now expected to be achieved by first week of August 2022 and the Target Facility Date is expected to be met by end of September 2022.

Although time extension claim was submitted by the EPC Contractor, which was passed through to KAHRAMAA, Siraj(1) has recorded liquidated damages payable to KAHRAMAA for the entire period of delay (actual and forecast) as an expense in the statement of profit or loss to comply with the requirements of IFRS. Further, as per the EPC contract, Siraj(1) is eligible to claim liquidated damages from the EPC contractor for the delay in achieving the Target First Power Date and Target Facility Date.

Management has applied significant judgment and have assessed that the EPC contract gives contractual right to Siraj1 to claim the delayed liquidated damages from the EPC contractor and based on the external legal opinion obtained by Siraj1, it is virtually certain that Siraj1 will recover these charges from the EPC contractor, therefore, these liquidated damages receivable from the EPC contractor is recognised as an other income by Siraj(1).

- (vi) The movement in the Group's investment in joint ventures and an associate were as follows:

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|--|----------------------------------|
| Beginning of the period / year | 5,072,541 | 3,999,992 |
| Additional investments during the period / year | - | 209,417 |
| Share of results for the period / year | 165,455 | 570,121 |
| Share of other comprehensive income for the period / year | 1,533,904 | 664,084 |
| Dividends received | (191,364) | (371,073) |
| End of the period / year | <u>6,580,536</u> | <u>5,072,541</u> |

9. Equity investments at fair value through other comprehensive income

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|--|----------------------------------|
| At 1 January | 3,164,944 | 2,571,376 |
| Additional investments during the period / year | - | - |
| Disposals during the period / year | (63,139) | - |
| Net change in fair value | 124,062 | 593,568 |
| End of the period / year | <u>3,225,867</u> | <u>3,164,944</u> |

10. Finance lease receivables

Present value of minimum lease receivable is the gross lease receivable in the lease discounted at the interest rate implicit in the lease. The implicit interest rate is 9.32% per annum (2021: 9.32% per annum). Income from finance leases is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance lease receivables at the end of the reporting period were neither past due nor impaired.

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|--|----------------------------------|
| Gross investment in the lease | 1,098,777 | 1,147,871 |
| Unearned finance income | (287,069) | (324,565) |
| Present value of minimum lease receivable | <u>811,708</u> | <u>823,306</u> |

10. Finance lease receivables (continued)

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

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---------------------|--|----------------------------------|
| Non-current portion | 782,749 | 798,419 |
| Current portion | 28,959 | 24,887 |
| | <u>811,708</u> | <u>823,306</u> |

11. Cash and cash equivalents

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

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) | 30 June 2021 (Reviewed) |
|---|--|----------------------------------|-------------------------------|
| Cash at bank – call and current accounts | 325,541 | 353,915 | 153,613 |
| Term deposits (Note i) | 4,488,536 | 3,273,123 | 3,255,082 |
| Cash in hand | 75 | 75 | 75 |
| Bank balances and cash | 4,814,152 | 3,627,113 | 3,408,770 |
| Less: Term deposits with original maturity of over 90 days | (2,129,332) | (2,997,645) | (2,781,663) |
| Cash and cash equivalents for the statement of cashflows | <u>2,684,820</u> | <u>629,468</u> | <u>627,107</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.

12. Share capital

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|--|--|----------------------------------|
| <i>Authorized, issued and paid-up share capital</i> | | |
| 1,100,000,000 ordinary shares with nominal value of QAR 1 each | <u>1,100,000</u> | <u>1,100,000</u> |

Cash dividend

During the period, the shareholders of the Company approved a cash dividend of QAR 0.80 per share totalling to QAR 880,000 thousand for the year 2021 (30 June 2021: QAR 0.63 per share totalling to QAR 693,000 thousand for the year 2020).

13. 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.

14. Interest bearing loans and borrowings

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|--|----------------------------------|
| Interest-bearing loans and borrowings (i) | 6,673,738 | 5,727,610 |
| Less: Financing arrangement costs | (43,714) | (47,380) |
| | <u>6,630,024</u> | <u>5,680,230</u> |

(i) The movement in the Group's interest bearing loans and borrowings were as follows:

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|--|--|----------------------------------|
| Beginning of the period / year | 5,727,610 | 6,355,830 |
| Additional borrowings acquired during the period / year (ii) | 2,004,750 | 640,062 |
| Repayment of borrowings | (1,058,622) | (1,268,282) |
| End of the period / year | <u>6,673,738</u> | <u>5,727,610</u> |

The Group has obtained loans for its production facilities of RAF A1, RAF A2, RAF A3 and RAF B2 which are also pledged against these production facilities.

(ii) 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 [refer note 8(i)]. 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.

(iii) Interest bearing loans and borrowings are presented in the condensed consolidated statement of financial position as follows:

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---------------------|--|----------------------------------|
| Non-current portion | 3,438,773 | 3,582,956 |
| Current portion | 3,191,251 | 2,097,274 |
| | <u>6,630,024</u> | <u>5,680,230</u> |

15. Interest rate swaps for hedging

(a) Cash flow hedge reserve

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | | 31 December |
|---|---|--------------------|---|--------------------|-------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) | 2021 (Audited) |
| Balance at 1 April / 1 January | (894,981) | (1,892,883) | (1,778,702) | (2,513,650) | (2,513,650) |
| Share of other comprehensive income from joint ventures and an associate | 671,862 | (243,990) | 1,511,664 | 351,001 | 684,213 |
| Net changes in fair value of interest rate swaps for hedging – net of related tax | 21,900 | 1,313 | 65,819 | 27,089 | 50,735 |
| Balance at 30 June / 31 December | (201,219) | (2,135,560) | (201,219) | (2,135,560) | (1,778,702) |

(b) Interest rate swaps for hedging

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

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---------------------|-------------------------------|----------------------------------|
| Assets | | |
| Non-current portion | 32,148 | - |
| Current portion | 1,418 | - |
| | <u>33,566</u> | <u>-</u> |
| Liabilities | | |
| Non-current portion | - | 2,552 |
| Current portion | - | 29,700 |
| | <u>-</u> | <u>32,252</u> |

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its hedging instruments that either have been or will be reformed as part of these market-wide initiatives. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The Group's remaining IBOR exposures at the reporting date are hedging instruments indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2021, the Financial Conduct Authority announced that US dollar setting (except for one-week and two-month US dollar settings) will either cease to be provided or no longer be representative after 30 June 2023.

There has been no significant change in the balance of unreformed contracts, which include those with a fallback clause that deals with the cessation of the existing IBOR since the previous annual reporting date.

16. Revenue

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|--|--------------------|--|--------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| (a) Revenue from contract with customers: | | | | |
| Sale of water | 158,799 | 149,996 | 300,783 | 301,751 |
| Sale of electricity | 253,959 | 207,150 | 461,535 | 424,242 |
| | <u>412,758</u> | <u>357,146</u> | <u>762,318</u> | <u>725,993</u> |
| (b) Operating lease revenue – capacity charges | | | | |
| Water | 150,330 | 162,443 | 299,079 | 322,635 |
| Electricity | 54,785 | 54,774 | 101,796 | 101,516 |
| | <u>205,115</u> | <u>217,217</u> | <u>400,875</u> | <u>424,151</u> |
| Revenue from water and electricity | <u>617,873</u> | <u>574,363</u> | <u>1,163,193</u> | <u>1,150,144</u> |

Revenue from contracts with customers includes revenue from supply of water and electricity and revenue from operations and maintenance.

Revenue from supply of water and electricity is recognised at point in time.

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

17. Cost of sales

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|--|--------------------|--|--------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| Cost of gas consumed | 249,372 | 199,376 | 442,462 | 401,036 |
| Depreciation of property, plant and equipment | 31,213 | 67,949 | 102,045 | 135,243 |
| Staff costs | 41,758 | 40,788 | 87,299 | 85,078 |
| Spare parts, chemicals and consumables | 8,395 | 15,677 | 20,046 | 35,741 |
| Others | 46,141 | 34,664 | 85,372 | 68,028 |
| | <u>376,879</u> | <u>358,454</u> | <u>737,224</u> | <u>725,126</u> |

18. Other income

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|--|--------------------|--|--------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| Interest income | 24,420 | 16,953 | 49,589 | 30,887 |
| Dividend income from equity investments at FVOCI | 24,569 | 10,819 | 160,909 | 71,056 |
| Reversal of provision on slow-moving and obsolete inventories (1) | 62,434 | - | 62,434 | - |
| Miscellaneous income | 16,931 | 42,289 | 23,838 | 48,504 |
| | <u>128,354</u> | <u>70,061</u> | <u>296,770</u> | <u>150,447</u> |

18. Other income (continued)

- (1) During the period, management performed a re-evaluation of the provision on slow-moving and obsolete inventories, based on the usability and remaining shelf life of its inventories which resulted in a reversal, of QAR 62.4 million.

19. Earnings per share

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

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|---|--------------------|---|--------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| Profit for the period attributable to equity holder of the parent | 295,881 | 412,727 | 684,575 | 784,684 |
| Weighted average number of shares outstanding during the period (number of shares in thousands) | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 |
| Basic and diluted earnings per share (expressed in QAR per share) | 0.27 | 0.38 | 0.62 | 0.71 |

Diluted earnings per share

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

20. Commitments and contingent liabilities

| | 30 June 2022 (Reviewed) | 31 December 2021 (Audited) |
|---|-------------------------------|----------------------------------|
| (a) Commitments: | | |
| Capital commitments | 1,475 | 2,332 |
| (b) Contingent liabilities: | | |
| Corporate guarantees issued on behalf of joint ventures | 450,244 | 450,244 |
| Letter of credits | 89,162 | 95,562 |
| | 539,406 | 545,806 |
| (c) Other commitments: | | |
| <i>Derivative financial instruments:</i> | | |
| Interest rate swaps (notional amount) | 1,121,970 | 1,146,260 |

21. 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 condensed consolidated statement of profit or loss and comprehensive income are as follows:

| | Nature of the relationship | Nature of the transactions | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|-------------|----------------------------|--------------------------------------|--|--------------------|--|--------------------|
| | | | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| KAHRAMAA | Shareholder | Sale of electricity | 308,745 | 261,925 | 563,331 | 525,759 |
| | | Sale of water | 306,837 | 310,031 | 595,685 | 619,435 |
| | | Lease interest | 17,560 | 25,804 | 37,108 | 50,815 |
| QatarEnergy | Shareholder | Sale of water | 2,291 | 2,408 | 4,177 | 4,950 |
| QatarEnergy | Shareholder | Cost of gas consumed/take or pay gas | 249,372 | 199,376 | 442,462 | 401,036 |

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

| | Nature of the relationship | 30 June 2022 | | 31 December 2021 | |
|---|----------------------------|---|---|--|--|
| | | Trade and other receivables (Reviewed) | Trade payables and accrued expenses (Reviewed) | Trade and other receivables (Audited) | Trade payables and accrued expenses (Audited) |
| KAHRAMAA | Shareholder | 501,757 | 145,070 | 428,750 | 145,143 |
| QatarEnergy | Shareholder | 1,582 | 121,079 | 19,036 | 130,263 |
| Siraj Energy Q.P.S.C. | Associate | 1,619 | - | 5,920 | - |
| Nebras Power Q.P.S.C. | Joint venture | 6,425 | - | 4,145 | - |
| Umm Al Houl Power Q.P.S.C. | Joint venture | 1,331 | - | 4,918 | - |
| Qatar Power Q.P.J.S.C. | Joint venture | 1,292 | - | 1,176 | - |
| Ras Girtas Power Company Q.P.S.C. | Joint venture | 659 | - | 58,674 | - |
| Mesaieed Power Company Limited Q.P.S.C. | Joint venture | 1,015 | - | 1,197 | - |
| | | 515,680 | 266,149 | 523,816 | 275,406 |

Compensation of key management personnel

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

| | For the three-month period ended 30 June | | For the six-month period ended 30 June | |
|---|--|--------------------|--|--------------------|
| | 2022 (Reviewed) | 2021 (Reviewed) | 2022 (Reviewed) | 2021 (Reviewed) |
| Directors' fees – short term | 2,938 | 2,938 | 5,875 | 5,875 |
| Management remuneration – short term | 1,779 | 900 | 2,846 | 1,800 |
| Board Committee remuneration – short term | 257 | 257 | 515 | 515 |
| | 4,974 | 4,095 | 9,236 | 8,190 |

22. Fair values of financial instruments

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

As at 30 June 2022, the Group held the following classes of financial instruments measured at fair value:

| At 30 June 2022 (Reviewed) | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|----------------|----------------|------------------|
| Financial assets measured at fair value: | | | | |
| <i>Derivative instruments:</i> | | | | |
| Equity investment at fair value through other comprehensive income | <u>3,225,867</u> | <u>-</u> | <u>-</u> | <u>3,225,867</u> |
| Positive fair value of interest rate swaps | <u>-</u> | <u>33,566</u> | <u>-</u> | <u>33,566</u> |
| Financial liabilities measured at fair value: | | | | |
| <i>Derivative instruments:</i> | | | | |
| Negative fair value of interest rate swaps | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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

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

During the reporting period/year ended 30 June 2022 and 31 December 2021, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

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

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

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

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

22. Fair values of financial instruments (continued)

Valuation techniques

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The fair value of derivative instruments is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty, this is calculated based on credit spreads derived from current credit default swap or bond prices.

23. 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, were classified as assets held-for-sale. During the current period, the asset was sold at a loss of QAR 86.1 million, which has been recognised in the statement of profit or loss and other comprehensive income.

24. Subsequent events

There were no material events subsequent to the reporting date, which have a bearing on the understanding of these condensed consolidated interim financial information.