

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

Consolidated Financial Statements

31 December 2022

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

**Consolidated financial statements
As at and for the year ended 31 December 2022**

| Index | Page(s) |
|---|----------------|
| Independent auditors' report | 1 - 6 |
| Consolidated financial statements: | |
| Consolidated statement of financial position | 7-8 |
| Consolidated statement of profit or loss and other comprehensive income | 9 |
| Consolidated statement of changes in equity | 10 |
| Consolidated statement of cash flows | 11-12 |
| Notes to the consolidated financial statements | 13-83 |



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Independent auditors' report

To the Shareholders of

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

Opinion

We have audited the consolidated financial statements of Qatar Electricity and Water Company Q.P.S.C. (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants 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 Company's 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.



Independent auditors' report to the Shareholders of Qatar Electricity and Water Company Q.P.S.C.
(continued)

Key Audit Matters (continued)

1. Carrying value of property, plant and equipment

See Note 5 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>The Group's property, plant and equipment (PPE) includes power generation and water desalination plants (production facilities and solar photovoltaic assets) representing more than 97% of total PPE (2021: 98%) and 21% of Group's total assets as at 31 December 2022 (2021: 25%), which are measured at cost less accumulated depreciation and impairment. Management's assessment of indicators of impairment and determining recoverable amounts could have significant impact on the carrying value of these Cash Generating Units (CGUs).</p> <p>The impairment testing of property, plant and equipment in accordance with IAS 36, requires management to make significant estimates and judgments in determining the assumptions to be used to arrive at the recoverable amount.</p> <p>The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less cost of disposal has been derived from discounted cash flow model that includes several key assumptions such as the growth rates applied in revenues, weighted average cost of capital (discount rate), operating costs and capital expenditures. Further during the year, management has recognised impairment losses on two of its power generation and water desalination plants (CGUs) amounting to QAR 83.1 million as the recoverable amount of these CGUs were determined to be lower than their carrying values as of the reporting date. Accordingly, we have considered above as a key audit matter.</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Making inquiries of management regarding the indicators they assessed as possible indicators of impairment for CGUs. • Inspecting management's assessment and considered whether further indicators should have been assessed based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. • involving our valuation specialists to assist us in: <ul style="list-style-type: none"> - evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with industry averages for the relevant markets in which the CGUs operate; and - evaluating the appropriateness of the assumptions applied to key inputs used in discounted cash flow model such as growth rate applied in forecasted revenues, operating costs and capital expenditures, by comparing these inputs with historical and externally derived data as well as our own assessments based on our knowledge of the client's business and the industry. • evaluating the adequacy of the financial statements' disclosures, including disclosures of key assumptions, judgement, and estimates. |

2. Carrying value of equity-accounted investees

See Note 8 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>The Group has equity accounted investees amounting to QAR 8,905 million (2021: OR 5,073 million) which represents 32% of the total assets of the Group (2021: 27%).</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Making inquiries of management regarding the indicators they assessed as possible indicators of impairment for CGUs. |



Independent auditors' report to the Shareholders of Qatar Electricity and Water Company Q.P.S.C.
(continued)

Key Audit Matters (continued)

2. Carrying value of equity-accounted investees (continued)

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>The impairment testing of equity-accounted investees in accordance with IAS 36, requires management to make significant estimates and judgments in determining the assumptions to be used to arrive at the recoverable amount. The recoverable amount of the Cash Generating Units (CGUs), which is based on the higher of the value in use or fair value less cost of disposal has been derived from discounted forecast cash flows models.</p> <p>These discounted forecast cash flows models use several key assumptions, including estimates of growth in future revenues, operating costs, extension options, capital expenditures, and weighted average cost of capital (discount rate).</p> <p>Accordingly, we have considered above as a key audit matter.</p> | <ul style="list-style-type: none"> • Inspecting management's assessment and considered whether further indicators should have been assessed based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. • involving our valuation specialists to assist us in: <ul style="list-style-type: none"> - evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with industry averages for the relevant markets in which the CGUs operate; - evaluating the appropriateness of the related assumptions applied in discounted forecast cash flows models to key inputs such as growth rate applied in revenues, operating costs, extension options, capital expenditures etc., by comparing these inputs with historical and externally derived data as well as our own assessments based on our knowledge of the client's business and the industry; and - performing our own sensitivity analysis on assumptions applied in discounted forecast cash flows model which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows, and reasonably possible increase in discount rates to evaluate the impact on the value in use forecast of the CGUs. • evaluating the adequacy of the financial statements' disclosures, including disclosures of key assumptions, judgement, estimates and sensitivities. |

3. Business combination

See Note 41 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras Power Q.P.S.C. ("Nebras") for a consideration of US\$ 530 million (QAR 1,931 million). As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras. This transaction resulted in a step-up acquisition gain of QAR 50.9 million (on derecognizing existing interests</p> | <p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • involving our valuation specialists to assist us in; <ul style="list-style-type: none"> - to support us in challenging the valuations produced by the Group and the methodology used to identify the assets acquired and liabilities assumed; |



Independent auditors' report to the Shareholders of Qatar Electricity and Water Company Q.P.S.C.
(continued)

Key Audit Matters (continued)

3. Business combination (continued)

See Note 41 to the consolidated financial statements.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>in the investee prior to obtaining control) and also a gain on bargain purchase amounting to QAR 204.0 million.</p> <p>The accounting for this transaction is complex due to the significant judgements and estimates that are required to determine the fair values of the identifiable assets acquired and the liabilities assumed.</p> <p>Due to the size and complexity of this transaction, we have considered this to be a key audit matter.</p> | <ul style="list-style-type: none"> - to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted average cost of capital with sector averages for the relevant markets in which the CGUs operate; - evaluating the appropriateness of the related assumptions applied in discounted forecast cash flows models to key inputs such as growth rate applied in revenues, operating costs, extension options, capital expenditures etc., by comparing these inputs with historical and externally derived data as well as our own assessments based on our knowledge of the client's business and the industry; and - evaluating the appropriateness of other intangible assets identified as part of the business combination. ▪ evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements. |

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2022.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors report (but does not include the consolidated financial statements and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the Annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent auditors' report to the Shareholders of Qatar Electricity and Water Company Q.P.S.C.

(continued)

Responsibilities of Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Standards, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 judgement and maintain professional scepticism 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 auditors' 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 auditors' 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.



Independent auditors' report to the Shareholders of Qatar Electricity and Water Company Q.P.S.C.
(continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 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 auditors' 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 Other Legal Requirements

As required by the Qatar Commercial Companies Law No. 11 of 2015, whose certain provisions were subsequently amended by Law No. 8 of 2021 ("amended QCCL"), we also report that:

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- ii) The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith.
- iii) We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in line with the books and records of the Company.
- iv) Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles.
- v) We are not aware of any violations of the applicable provisions of the amended QCCL or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2022.

19 February 2023
Doha
State of Qatar




Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251

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Auditors' License No. 120153

Consolidated statement of financial position
As at 31 December 2022

In thousands of Qatari Riyals

| | Notes | 2022 | 2021 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 6,084,247 | 4,805,110 |
| Right-of-use assets | 6(a) | 57,710 | 22,935 |
| Intangible assets and goodwill | 7 | 72,605 | 78,575 |
| Equity-accounted investees | 8 | 8,904,680 | 5,072,541 |
| Equity investments at fair value through other comprehensive income | 9 | 2,322,763 | 3,164,944 |
| Finance lease receivables | 6(d) | 764,888 | 798,419 |
| Derivative assets | 18(b) | 77,536 | - |
| Loans receivable from a related party | 35(b) | 60,702 | - |
| Deferred tax assets | 11 | 32,124 | - |
| Other assets | 10 | 42,990 | 10,473 |
| | | 18,420,245 | 13,952,997 |
| Current assets | | | |
| Inventories | 12 | 93,987 | 63,910 |
| Trade and other receivables | 13 | 778,536 | 566,040 |
| Finance lease receivables | 6(d) | 33,531 | 24,887 |
| Derivative assets | 18(b) | 1,418 | - |
| Cash and bank balances | 14 | 8,116,971 | 3,627,113 |
| Asset held-for-sale | 39 | 236,327 | 255,535 |
| Assets held-for-distribution | 40 | 128,478 | - |
| | | 9,389,248 | 4,537,485 |
| TOTAL ASSETS | | 27,809,493 | 18,490,482 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 15 | 1,100,000 | 1,100,000 |
| Legal reserve | 16 | 550,000 | 550,000 |
| General reserve | 17 | 3,243,870 | 3,241,834 |
| Hedge reserve | 18(a) | 888,196 | (1,778,702) |
| Fair value reserve | 19 | 614,751 | 1,048,081 |
| Foreign currency translation reserve | 20 | (1,148) | (34,344) |
| Retained earnings | | 8,728,092 | 7,683,966 |
| Equity attributable to owners of the Company | | 15,123,761 | 11,810,835 |
| Non-controlling interests | 21 | 333,573 | 177,124 |
| Total equity | | 15,457,334 | 11,987,959 |
| Non-current liabilities | | | |
| Loans and borrowings | 22 | 6,920,761 | 3,582,956 |
| Derivative liabilities | 18(b) | - | 2,552 |
| Lease liabilities | 6(b) | 55,225 | 23,066 |
| Employees' end of service benefits | 23 | 87,628 | 76,094 |
| Other liabilities | | 62,567 | - |
| | | 7,126,181 | 3,684,668 |



The consolidated statement of financial position continues on next page.

The notes on pages 13 to 83 form an integral part of these consolidated financial statements.

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

**Consolidated statement of financial position (continued)
As at 31 December 2022**

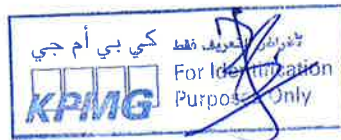
In thousands of Qatari Riyals

| | Notes | 2022 | 2021 |
|-------------------------------------|-------|-------------------|-------------------|
| Current liabilities | | | |
| Loans and borrowings | 22 | 4,154,055 | 2,097,274 |
| Derivative liabilities | 18(b) | - | 29,700 |
| Lease liabilities | 6(b) | 6,609 | 3,037 |
| Trade and other payables | 24 | 932,097 | 687,844 |
| Liabilities held-for-distribution | 40 | 106,594 | - |
| Other liabilities | | 26,623 | - |
| | | <u>5,225,978</u> | <u>2,817,855</u> |
| Total liabilities | | <u>12,352,159</u> | <u>6,502,523</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>27,809,493</u> | <u>18,490,482</u> |

These consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 19 February 2023.


Saad Bin Sherida Al-Kaabi
Chairman


Mohammed Nasser Al-Hajri
Managing Director and General Manager



The notes on pages 13 to 83 form an integral 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 2022**

In thousands of Qatari Riyals

| | Notes | 2022 | 2021 |
|--|-------|------------------|------------------|
| Revenue from water and electricity | 25 | 2,645,683 | 2,380,960 |
| Income from finance lease | | 75,730 | 93,554 |
| | | <u>2,721,413</u> | <u>2,474,514</u> |
| Cost of sales | 26 | (1,669,118) | (1,508,979) |
| Gross profit | | 1,052,295 | 965,535 |
| General and administrative expenses | 27 | (297,804) | (148,199) |
| Interest income | 28 | 176,697 | 72,361 |
| Other income | 29 | 267,627 | 146,017 |
| Operating profit | | 1,198,815 | 1,035,714 |
| Finance costs | 30 | (287,533) | (115,740) |
| Bargain purchase gain arising on business combination | 41(d) | 204,000 | - |
| Step-up acquisition gain on deemed sale of a joint venture | 41(e) | 50,948 | - |
| Loss on disposal of asset held-for-sale | 39 | (86,084) | - |
| Share of results from equity-accounted investees – net of tax | 8 | 669,418 | 570,121 |
| | | <u>1,749,564</u> | <u>1,490,095</u> |
| Profit before tax from continuing operations | | 1,749,564 | 1,490,095 |
| Less: Income tax expense | 11 | (2,339) | - |
| | | <u>1,747,225</u> | <u>1,490,095</u> |
| Profit after tax from continuing operations | | 1,747,225 | 1,490,095 |
| Profit from discontinued operation, net of tax | 40 | 3,223 | - |
| | | <u>1,750,448</u> | <u>1,490,095</u> |
| Profit for the period | | 1,750,448 | 1,490,095 |
| Other comprehensive income: | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | |
| Equity-accounted investees - share of OCI – net of related tax | 18(a) | 2,564,294 | 684,213 |
| Cash flow hedges – effective portion of changes in fair value – net of related tax | 18(a) | 151,972 | 50,735 |
| Cash flow hedges reclassified to profit or loss on derecognition of a joint venture – net of related tax | 18(a) | (49,368) | - |
| Foreign operations – foreign currency translation differences | 20 | 21,093 | (20,129) |
| Reclassification of foreign currency differences on derecognition of a joint venture | 20 | 12,103 | - |
| | | <u>2,700,094</u> | <u>714,819</u> |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Equity investments at FVOCI – net change in fair value | 9 | (182,842) | 593,568 |
| Other comprehensive income for the period – net of tax | | 2,517,252 | 1,308,387 |
| Total comprehensive income for the period | | 4,267,700 | 2,798,482 |
| Profit attributable to: | | | |
| Owners of the Company | | 1,710,809 | 1,467,865 |
| Non-controlling interests | 21 | 39,639 | 22,230 |
| | | <u>1,750,448</u> | <u>1,490,095</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 4,228,061 | 2,776,252 |
| Non-controlling interests | 21 | 39,639 | 22,230 |
| | | <u>4,267,700</u> | <u>2,798,482</u> |
| Earnings per share: | | | |
| Basic and diluted earnings per share (Qatari Riyals) | 31 | 1.56 | 1.33 |

The notes on pages 13 to 83 form an integral 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 2022**

In thousands of Qatari Riyals

| | Share capital | Legal reserve | General reserve | Cash flow Hedge reserve | Fair value reserve | Foreign currency translation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|--|---------------|---------------|-----------------|-------------------------|--------------------|--------------------------------------|-------------------|------------|---------------------------|--------------|
| 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 | - | - | - | - | - | - | 1,467,865 | 1,467,865 | 22,230 | 1,490,095 |
| Other comprehensive income for the period | - | - | - | 734,948 | 593,568 | (20,129) | - | 1,308,387 | - | 1,308,387 |
| Total comprehensive income for the period | - | - | - | 734,948 | 593,568 | (20,129) | 1,467,865 | 2,776,252 | 22,230 | 2,798,482 |
| Contribution to social and sports support fund (Note 33) | - | - | - | - | - | - | (30,659) | (30,659) | - | (30,659) |
| Transactions with owners of the Group | | | | | | | | | | |
| Dividends (Note 32) | - | - | - | - | - | - | (693,000) | (693,000) | (52,851) | (745,851) |
| At 31 December 2021 / 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 | - | - | - | - | - | - | 1,710,809 | 1,710,809 | 39,639 | 1,750,448 |
| Other comprehensive income for the period | - | - | - | 2,666,898 | (182,842) | 33,196 | - | 2,517,252 | - | 2,517,252 |
| Total comprehensive income for the period | - | - | - | 2,666,898 | (182,842) | 33,196 | 1,710,809 | 4,228,061 | 39,639 | 4,267,700 |
| Transfer upon disposal of equity investments FVOCI | - | - | - | - | (250,488) | - | 250,488 | - | - | - |
| Acquisition of NCI due to business combination (Note 41) | - | - | - | - | - | - | - | - | 145,970 | 145,970 |
| Contribution to social and sports support fund (Note 33) | - | - | - | - | - | - | (37,639) | (37,639) | - | (37,639) |
| Transactions with owners of the Group | | | | | | | | | | |
| Dividends (Note 32) | - | - | - | - | - | - | (880,000) | (880,000) | (29,160) | (909,160) |
| Other movements | - | - | 2,036 | - | - | - | 468 | 2,504 | - | 2,504 |
| At 31 December 2022 | 1,100,000 | 550,000 | 3,243,870 | 888,196 | 614,751 | (1,148) | 8,728,092 | 15,123,761 | 333,573 | 15,457,334 |

The notes on pages 13 to 83 form an integral part of these consolidated financial statements.

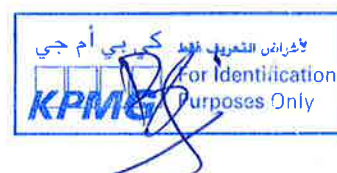
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**Consolidated statement of cash flows
As at 31 December 2022**

In thousands of Qatari Riyals

| | Notes | 2022 | 2021 |
|---|-------|--------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 1,750,448 | 1,490,095 |
| <i>Adjustments for:</i> | | | |
| Depreciation of property, plant and equipment – net of reversals | 5 | 287,167 | 275,632 |
| Impairment of property, plant and equipment | 5 | 83,094 | - |
| Depreciation of right-of-use assets | 6(a) | 8,409 | 4,191 |
| Interest expense on lease liabilities | 6(b) | 2,199 | 1,376 |
| Amortization of intangible assets | 7 | 5,970 | 5,970 |
| Share of results of equity-accounted investees | 8 | (669,418) | (570,121) |
| Dividend income from equity investments at FVOCI | 9 | (160,909) | (81,411) |
| Amortization of non-current assets | 10 | 1,765 | 1,684 |
| Loan amortization fee | 22 | 3,389 | - |
| Provision for employees' end of service benefits | 23 | 12,637 | 6,829 |
| Net reversal of provision on slow-moving and obsolete inventories | 27 | (71,024) | - |
| Interest income | 28 | (176,697) | (72,361) |
| Loss on sale of an asset held-for-sale | 39 | 86,084 | - |
| Bargain purchase gain arising on business combination | 41(d) | (204,000) | - |
| Step-up acquisition gain on deemed sale of a joint venture | 41(e) | (50,948) | - |
| Property, plant and equipment written-off | | - | 2,580 |
| Gain in termination of leases | | (77) | (439) |
| Interest expense | | 285,334 | 113,389 |
| Operating profit before working capital changes | | 1,193,423 | 1,177,414 |
| <i>Working capital adjustments:</i> | | | |
| Inventories | | 40,947 | 2,434 |
| Trade and other receivables | | (212,496) | (61,964) |
| Finance lease receivables | | 24,887 | 150,307 |
| Deferred tax asset | | (32,124) | - |
| Trade and other payables | | 244,248 | (20,595) |
| Cash flows from operating activities | | 1,258,885 | 1,247,596 |
| Employees' end of service benefits paid | 23 | (7,286) | (11,598) |
| Net cash generated from operating activities | | 1,251,599 | 1,235,998 |
| INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment – net of adjustment | 5 | (36,319) | (42,435) |
| Proceeds from sale of asset held-for-sale – net of expenses | | 175,000 | - |
| Net movement in other non-current assets | | 30,812 | - |
| Proceeds from sale of property, plant and equipment | | 10,083 | - |
| Cash acquired on acquisition of a subsidiary – net of consideration transferred | | 1,209,780 | - |
| Investment in equity-accounted investees | 8 | (906,821) | (209,417) |
| Dividends received from equity-accounted investees | 8 | 404,648 | 371,073 |
| Proceeds from sale of equity investments at FVOCI | 9 | 663,511 | - |
| Dividends received from equity investments at FVOCI | 9 | 160,909 | 81,411 |
| Net movement in loan receivable from equity-accounted investees | | - | 143,687 |
| Interest received | | 176,697 | 61,819 |
| Net movement in term deposits with original maturity over 90 days | | (3,636,815) | (181,199) |
| Net cash (used in) / from investing activities | | (1,748,515) | 224,939 |

The consolidated statement of cash flows continues on next page.



The notes on pages 13 to 83 form an integral part of these consolidated financial statements.

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

**Consolidated statement of cash flows (continued)
For the year ended 31 December 2022**

In thousands of Qatari Riyals

FINANCING ACTIVITIES

| | | | |
|---|-------|------------------|--------------------|
| Repayment of lease liabilities (including interest) | 6(b) | (8,745) | (4,626) |
| Dividends paid to non-controlling interests | 21 | (29,160) | (52,851) |
| Repayment of loans and borrowings | 22 | (296,034) | (628,220) |
| Dividends paid to owners of the Company | 32 | (880,000) | (698,961) |
| Loan to a related party | 35(b) | (38,776) | - |
| Proceeds from loans and borrowings | | 2,920,373 | - |
| Interest expense paid | | (273,362) | (109,331) |
| Net cash from / (used in) financing activities | | 1,394,296 | (1,493,989) |

NET CHANGE IN CASH AND CASH EQUIVALENTS

897,380 (33,052)

| | | | |
|---|--|----------|---------|
| Cash and cash equivalents at the beginning of the period | | 629,468 | 662,520 |
| Effects of movements in exchange rates on cash held in foreign currency | | (44,337) | - |

CASH AND CASH EQUIVALENTS AT 31 DECEMBER

14 **1,482,511** **629,468**



The notes on pages 13 to 83 form an integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements As at and for the year ended 31 December 2022

1. Reporting entity

Qatar Electricity and Water Company Q.P.S.C. ("the Company" or "the Parent") 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 Stock Exchange since 3 May 1998.

These consolidated financial statements comprise the Company and its subsidiaries (collectively referred as the "Group" and individually as the "Group entities") and the Group's interests in equity-accounted investees.

The principal activities of the Group are to invest, develop, own and operate plants to produce electricity and desalinated water, including the renewable assets, inside and outside Qatar, and to supply them to the state owned entities and private corporate customers i.e. off-takers, as per the power and water purchase agreements.

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

| Name of entities | Principal activity | Country of incorporation | Effective shareholding | |
|---|--|--------------------------|------------------------|------|
| | | | 2022 | 2021 |
| 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% |
| Nebras Power Q.P.S.C.* | Investments in electricity and desalinated water projects outside the State of Qatar | Qatar | 100% | - |

The Company has the following equity-accounted investee as at 31 December:

| Name of entities | Principal activity | Country of incorporation | Effective shareholding | |
|---|--|--------------------------|------------------------|------|
| | | | 2022 | 2021 |
| <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.* | Investment in electricity and desalinated water projects outside Qatar | Qatar | - | 60% |
| Umm Al Houli 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% |

*Refer note 41

**Refer note 39

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

1. Reporting entity (continued)

Below are the subsidiaries and equity-accounted investees acquired through business combination during the year (Refer note 41):

| Name of subsidiary | Country of incorporation | Effective shareholding | |
|--|--------------------------|------------------------|------|
| | | 2022 | 2021 |
| Nebras Power Netherlands B.V. | Netherlands | 100% | - |
| Nebras Power Investment Management B.V. | Netherlands | 100% | - |
| Zon Exploitatie Nederland Holding B.V. | Netherlands | 75% | - |
| Zon Exploitatie Nederland B.V. | Netherlands | 75% | - |
| Zon Exploitatie Nederland 2 B.V. | Netherlands | 75% | - |
| Zonhandel B.V. | Netherlands | 75% | - |
| Zon Brabant B.V. | Netherlands | 37.5% | - |
| BTU Rades | Cayman | 100% | - |
| BTU International (Bermuda) Ltd | Bermuda | 100% | - |
| Carthage Power Company SARL | Tunisia | 60% | - |
| Nebras Netherlands Brazil Investments 1 B.V. | Brazil | 100% | - |
| Nebras Power Latin America Ltda. | Brazil | 100% | - |
| Nebras do Brazil Investments 1 Ltda. | Brazil | 100% | - |
| Salgueiro Solar Holding S.A. | Brazil | 80% | - |
| Jaíba Solar Holding S.A. | Brazil | 80% | - |
| Francisco Sá Solar Holding S.A. | Brazil | 80% | - |
| Lavras Solar Holding S.A. | Brazil | 80% | - |
| Salgueiro I Energias Renováveis S.A. | Brazil | 80% | - |
| Salgueiro II Energias Renováveis S.A. | Brazil | 80% | - |
| Salgueiro III Energias Renováveis S.A. | Brazil | 80% | - |
| Jaíba 3 Energias Renováveis S.A. | Brazil | 80% | - |
| Jaíba 4 Energias Renováveis S.A. | Brazil | 80% | - |
| Jaíba 9 Energias Renováveis S.A. | Brazil | 80% | - |
| Francisco Sá 1 Energias Renováveis S.A. | Brazil | 80% | - |
| Francisco Sá 2 Energias Renováveis S.A. | Brazil | 80% | - |
| Francisco Sá 3 Energias Renováveis S.A. | Brazil | 80% | - |
| Lavras 2 Solar Energias Renováveis S.A. | Brazil | 80% | - |
| Lavras 1 Solar Energias Renováveis S.A. | Brazil | 80% | - |
| Lavras 3 Solar Energias Renováveis S.A. | Brazil | 80% | - |
| Lavras 4 Solar Energias Renováveis S.A. | Brazil | 80% | - |
| Lavras 5 Solar Energias Renováveis S.A. | Brazil | 80% | - |
| Scythia-Solar-1 LLC* | Ukraine | 75% | - |
| Scythia-Solar-2 LLC* | Ukraine | 75% | - |
| Terslav LLC* | Ukraine | 75% | - |
| Sun Power Pervomaisk LLC* | Ukraine | 75% | - |
| Free-Energy Henichesk LLC* | Ukraine | 75% | - |
| Nebras Power Australia Pty Ltd | Australia | 100% | - |

*Refer note 36

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

Notes to the consolidated financial statements As at and for the year ended 31 December 2022

1. Reporting entity (continued)

| Name of equity-accounted investee | Country of incorporation | Classification | Effective shareholding | |
|---|--------------------------|----------------|------------------------|------|
| | | | 2022 | 2021 |
| Phoenix Power Company SAOG Phoenix Operation and Maintenance Company L.L.C. | Oman | Associate | 9.84% | - |
| AES Oasis Ltd | Oman | Associate | 15% | - |
| AES Baltic Holding B.V. | Cayman Islands | Associate | 38.89% | - |
| PT Paiton Energy Pte Ltd. | Netherlands | Associate | 40% | - |
| IPM Asia Pte Ltd | Indonesia | Associate | 26% | - |
| Minejesa Capital B.V. | Singapore | Associate | 35% | - |
| AES Jordan Solar B.V. | Netherlands | Associate | 26% | - |
| Stockyard Hill Wind Farm (Holding) Pty Ltd | Netherlands | Associate | 40% | - |
| Unique Meghnaghat Power Limited | Australia | Associate | 49% | - |
| NEKS Energy B.V. | Bangladesh | Joint venture | 24% | - |
| Shams Ma'an Solar UK Ltd | Uzbekistan | Joint venture | 33.30% | - |
| Nebras-IPC Power Developments Limited | United Kingdom | Joint venture | 35% | - |
| Zonnepark Masselbanken Terneuzen B.V. | England | Joint venture | 50% | - |
| Zonnepark Duisterweg B.V. | Netherlands | Joint venture | 40% | - |
| NEC Energia e Participacoes S.A. | Netherlands | Joint venture | 40% | - |
| NEC Desinvolvimentod e Projectos em Energia e Participacoes S.A. | Brazil | Joint venture | 50% | - |
| | Brazil | Joint venture | 50% | - |

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 Qatar Energy relating to the Dukhan Desalination Plant. During the year, the Dukhan Desalination Plant's agreement with Qatar Energy was terminated, effective 31 December 2022, which resulted into an impairment of property, plant and equipment and other assets amounting to QR 19.6 million.

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

Notes to the consolidated financial statements As at and for the year ended 31 December 2022

2. Major transactions and agreements of the Group (continued)

e) Qatar Power Q.P.J.S.C.

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) Mesaieed Power Company Limited Q.P.S.C.

On 15 January 2007, Mesaieed Power Company Limited Q.P.S.C. (MPCL) was incorporated as a joint venture between MPCL, 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").

i) Ras Girtas Power Company Q.P.S.C.

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) Nebras Power Q.P.S.C.

On 20 May 2013, Nebras Power Q.P.S.C. ("Nebras") was incorporated as a joint venture for the purpose of acquiring electricity and water production projects outside the State of Qatar. In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras. As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras (refer Note 41).

2. Major transactions and agreements of the Group (continued)

l) Umm Al Houl Power Q.P.S.C.

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 date 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%) |

During 2021, 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. 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.

m) On 13 October 2015, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A3 Water project with KAHRAMAA.

n) Phoenix Power Company SAOG and Phoenix Operation and Maintenance Company L.L.C.

On 18 June 2015, Nebras Power Q.P.S.C. ('Nebras'), one of the subsidiaries of the Group purchased a 0.088% shareholding in Phoenix Power Company SAOG ("PPC") at its Initial Public Offer. PPC is incorporated in the Sultanate of Oman and owns and operates a gas fired power generation facility with a capacity of 2,000 MW.

On 30 December 2015, Nebras entered into an agreement with Qatar Electricity and Water Company Q.P.S.C ("QEWC") (At this time, QEWC did not have controlling interest in Nebras), to purchase an additional 9.75% shareholding in PPC and to purchase 15% of the share capital of Phoenix Operation and Maintenance Company L.L.C. ("POM"). POM is incorporated in the Sultanate of Oman and its primary activity is to provide repair and maintenance services to PPC's power plant.

The Group exercises significant influence over the financial and operating policy decisions of PPC and POM through its representation in the Board of Directors. In particular, the Group appoints the Chairman on the Board of Directors of PPC.

o) AES Oasis Ltd

On 1 December 2015, Nebras, one of the subsidiaries of the Group purchased from QEWC (at this time, QEWC did not have controlling interest in Nebras), a 38.89% shareholding in AES Oasis Ltd, incorporated in the Cayman Islands. AES Oasis Ltd holds effectively a 60% shareholding in AES Jordan PSC, which owns and operates a 370 MW combined cycle gas fired power plant in Jordan.

p) AES Baltic Holding BV

On 18 February 2016, Nebras, one of the subsidiaries of the Group purchased from QEWC (At this time, QEWC did not have controlling interest in Nebras), purchased 40% shareholding in AES Baltic Holding BV, incorporated in the Netherlands. AES Baltic Holding BV effectively holds a 60% shareholding in AES Levant Holdings B.V. Jordan PSC, which owns and operates a 241 MW gas power plant in the Kingdom of Jordan.

2. Major transactions and agreements of the Group (continued)

q) PT Paiton Energy Pte Ltd

On 22 December 2016, Nebras, one of the subsidiaries of the Group acquired a 35.514% shareholding in PT Paiton Energy Pte Ltd, incorporated in Indonesia, which owns and operates a 2,045 MW coal-fired power plant. During 2020, pursuant to the Board of Directors' approval, the Company entered into a Share Purchase Agreement ("SPA") to sell 9.513% stake in PT Paiton Energy Pte Ltd. The sale has been fully executed in March 2022.

r) IPM Asia Pte Ltd

On 22 December 2016, Nebras, one of the subsidiaries of the Group acquired a 35% shareholding in IPM Asia Pte Ltd, incorporated in Singapore. IPM Asia Pte Ltd owns 84.1% of PT IPM Operation and Maintenance Indonesia, incorporated in Indonesia, which provides operation and maintenance services to PT Paiton Energy Pte Ltd. In addition, IPM Asia Pte Ltd owns 100% of the share capital of IPM O&M Services Pte Ltd, incorporated in Singapore, which provides technical services to PT IPM Operation and Maintenance.

s) Siraj Energy Q.P.S.C.

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. During 2021, the Group 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 did not change the Group's shareholding percentage.

In October 2022, the Group entered into a share purchase agreement (SPA) with QatarEnergy to sell its 49% stake in Siraj Energy to the latter, at a total consideration of QAR 235 million (US\$ 64 million). Post this SPA, the equity accounting was seized and the asset was classified as held-for-sale (refer note 39)

t) Minejesa Capital BV

On 2 August 2017, Nebras Power Investment Management B.V., one of the subsidiaries of the Group entered into a shareholders' agreement with PT Batu Hitam Perkasa, Paiton Power Financing BV and Tokyo Electric Power Company International Paiton II BV for provision of governance and management services to Minejesa Capital BV, incorporated in the Netherlands on 29 June 2017 with the objective to provide financial services. As per the shareholders' agreement, the Group has a 35.51% shareholding in Minejesa Capital BV.

During 2020, pursuant to the Board of Directors' approval, the Company entered into a Share Purchase Agreement ("SPA") to sell 9.513% stake in Minejesa Capital B.V. The sale has been fully executed in March 2022.

u) AES Jordan Solar BV

On 31 October 2017, Nebras Power Netherlands B.V., one of the subsidiaries of the Group entered into a shareholders' agreement with AES Horizons Holdings BV for provision of governance and management services to AES Jordan Solar BV, incorporated in Jordan with the objective to provide engineering, procurement, construction, ownership, operation, maintenance, management, leasing and financing to AM Solar BV, a company registered in Jordan. As per the shareholders' agreement, the Group has a 40% shareholding in AES Jordan Solar BV.

v) Shams Maan Solar UK Limited

On 26 June 2015, Nebras, one of the subsidiaries of the Group acquired a 35% shareholding in Shams Maan Solar UK Ltd, a joint venture company registered in England and Wales engaged in the financing, building, ownership and operation of a 52.5 MW solar power plant in Ma'an city in the Kingdom of Jordan.

2. Major transactions and agreements of the group (continued)

w) Brabant Zon B.V.

On 8 August 2018, Nebras, one of the subsidiaries of the Group acquired Zen Exploitatie Nederland Holding B.V, which owns 50% of Brabant Zon B.V., a joint venture company registered in the Netherlands engaged in the development of renewable energy projects. During 2019, the control structure of Brabant Zon B.V. was reassessed and the company has been considered a subsidiary from 31 December 2019.

x) Stockyard Hill Wind Farm (Holding) Pty Ltd

On 22 November 2019, Nebras, one of the subsidiaries of the Group entered into a shareholders' agreement with Goldwind International Holding Limited and acquired 49% of shares in Stockyard Hill Wind Farm (Holding) Pty Ltd to develop and operate renewable energy projects in Australia. The Group holds significant influence in the associate company based on its voting rights and representation in the board committees.

y) Zonnepark Mosselbanken Temeuzen B.V.

On the 25 September 2020 Nebras, one of the subsidiaries of the Group acquired 40% shareholding in Zonnepark Mosselbanken Temeuzen B.V, a joint venture company registered in Netherlands engaged in the development of renewable energy projects.

z) Nebras IPC Power Developments Ltd

On the 7 October 2019, Nebras, one of the subsidiaries of the Group formed a joint venture, in which it owns 50%, with The Independent Power Corporation Plc. The joint venture was formed to develop, finance and construct one or more power projects in Azerbaijan, Kazakhstan, or any other country.

ab) Zonnepark Duisterweg B.V.

On 27 January 2021, Nebras, one of the subsidiaries of the Group entered into a joint venture agreement with Gutami Solar development and acquired 40% of shares in Zon Duisterweg BV to construct and commission solar photovoltaic plant of target capacity of 14.5 MW in Netherlands.

ac) NEC Energia e Participacoes S.A.

On 6 September 2021 Nebras, one of the subsidiaries of the Group entered into a shareholders' agreement with Companhia Energética Integrada (CEI) and acquired 50% of shares in NEC Energia e Participações S.A., a joint venture company registered in Brazil. The partnership will promote management, and operation of hydroelectric and solar energy projects in Brazil.

ad) NEC Desenvolvimento de Projectos em Energia e Participacoes S.A.

On the 6 September 2021 Nebras, one of the subsidiaries of the Group acquired 50% shareholding in NEC Desenvolvimento de Projetos em Energia e Participações S.A., a joint venture company registered in Brazil engaged in the development of renewable energy projects.

3. Basis of preparation

a) Statement of compliance

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

To ensure compliance with the requirements of the law no. 8 of 2021 which amended certain provisions of Qatar Commercial Companies Law no. 11 of 2015, the Company has amended its Articles of Association during the year to incorporate these amendments wherever applicable. The amended Articles of Association would be formally approved in the Extra-ordinary General Assembly of the Company to be held on 14 March 2023.

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

Notes to the consolidated financial statements As at and for the year ended 31 December 2022

3. Basis of preparation (continued)

b) 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.

c) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company has the Qatari Riyal ("QAR") as its functional currency. The following subsidiaries of the Company, which operate in foreign jurisdictions, have the following functional currencies:

| Name of the subsidiaries | Functional currency |
|--|----------------------------|
| Nebras Power Netherlands B.V. | USD |
| Nebras Power Investment Management B.V. | USD |
| Zon Exploitatie Nederland Holding B.V. | Euro |
| Zon Exploitatie Nederland B.V. | Euro |
| Zon Exploitatie Nederland 2 B.V. | Euro |
| Zonhandel B.V. | Euro |
| Zon Brabant B.V. | Euro |
| BTU Rades | Euro |
| BTU International (Bermuda) Ltd | Euro |
| Carthage Power Company SARL | Euro |
| Nebras Netherlands Brazil Investments 1 B.V. | USD |
| Nebras Power Latin America Ltda. | Brazilian Real |
| Nebras do Brazil Investments 1 Ltda. | Brazilian Real |
| Salgueiro Solar Holding S.A. | Brazilian Real |
| Jaíba Solar Holding S.A. | Brazilian Real |
| Francisco Sá Solar Holding S.A. | Brazilian Real |
| Lavras Solar Holding S.A. | Brazilian Real |
| Salgueiro I Energias Renováveis S.A. | Brazilian Real |
| Salgueiro II Energias Renováveis S.A. | Brazilian Real |
| Salgueiro III Energias Renováveis S.A. | Brazilian Real |
| Jaíba 3 Energias Renováveis S.A. | Brazilian Real |
| Jaíba 4 Energias Renováveis S.A. | Brazilian Real |
| Jaíba 9 Energias Renováveis S.A. | Brazilian Real |
| Francisco Sá 1 Energias Renováveis S.A. | Brazilian Real |
| Francisco Sá 2 Energias Renováveis S.A. | Brazilian Real |
| Francisco Sá 3 Energias Renováveis S.A. | Brazilian Real |
| Lavras 1 Solar Energias Renováveis S.A. | Brazilian Real |
| Lavras 2 Solar Energias Renováveis S.A. | Brazilian Real |
| Lavras 3 Solar Energias Renováveis S.A. | Brazilian Real |
| Lavras 4 Solar Energias Renováveis S.A. | Brazilian Real |
| Lavras 5 Solar Energias Renováveis S.A. | Brazilian Real |
| Scythia-Solar-1 LLC | Ukrainian Hryvnia |
| Scythia-Solar-2 LLC | Ukrainian Hryvnia |
| Terslav LLC | Ukrainian Hryvnia |
| Sun Power Pervomaik LLC | Ukrainian Hryvnia |
| Free-Energy Henichesk LLC | Ukrainian Hryvnia |
| Nebras Power Australia Pty Ltd | AUD |

The Company's presentation currency is Qatari Riyal ("QAR"), which is also the Company's functional currency.

3. Basis of preparation (continued)

d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about areas that involve a higher degree of judgement or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the consolidated financial statements are as follows:

Judgments

Classification of Power and Water Purchase Agreements

The Group has entered into several long-term Power and Water Purchase Agreements ("PWPA"), Power Purchase Agreements ("PPA") and Water Purchase Agreements ("WPA") with government and non-government off-takers. The Group assesses these PWPAs, PPAs and WPAs on a case-to-case basis to determine whether the arrangement would fall under IFRIC 12, IFRS 16, IFRS 15 or IFRS 9. The Group applies significant judgement to assess the different arrangements entered into with the off-takers.

Under the PWPAs, PPAs and WPAs entered by the Group in Qatar, the Group receives payment for the provision of power and water capacity, whether or not the off-taker (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. Hence, the Group has assessed that these arrangements in the State of Qatar does not fall within the scope of IFRIC 12 and classified these agreements to contain lease under IFRIC 4 which were grandfathered on transition to IFRS 16.

Further, the Group assess the lease under IFRS 16 to be operating lease or finance lease. The classification of the PWPA, PPA or WPA 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 recognized prospectively, over the remaining life of the asset.

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 (also refer Note 6 (a)).

Lease liabilities

Management assesses whether contracts entered by the Group for renting various assets contain a lease. The lease identification, including whether or not the Group has contracted to substantially all the economic benefits of the underlying asset, may require significant judgement. Establishing the lease term may also present challenges where a contract has an indefinite term or is subject to auto renewal or there are renewal options that are unclear if they will be exercised at the option date.

3. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

Judgments (continued)

Lease liabilities (continued)

The extend of the lease term significantly influences the value of the lease liability and the related right-of-use asset and arriving at a conclusion sometimes requires significant judgement calls. Furthermore, once the lease term is established, management needs to estimate the future cash flows payable over the lease term and discount them using the incremental borrowing rate that a lessee 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. That also requires significant judgment and affects both the finance lease liability and the fair value of the underlying asset (also refer Note 6 (b)).

Recognition of deferred tax assets

Deferred tax assets are recognized only to the extent management considers it probable that future taxable profits will be available against which the Group can use the benefits therefrom.

Assets held for sale, disposal group held-for-distribution and discontinued operations

Management has applied judgement that some of its non-current assets and a disposal group are classified as held for sale / distribution owing to the fact that their carrying values will be recovered primarily through sale and it is highly probable that the sale / distribution will occur in the next twelve months. Consequently, these assets and liabilities are classified as held for sale / distribution. Further, as part of this classification, management has applied judgement over the costs associated with the sale / distribution and have recognised certain provisions which management believes are necessary and adequate for the closure of the sale / distribution (also refer Note 39 and 40).

Interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity; depending upon the facts and circumstances in each case, the Group may obtain control, joint control or significant influence over an entity or arrangement. This assessment involves consideration of a variety of factors, including shareholders' voting rights, Board representation and decision-making rights, the existence of any contractual arrangements, and indicators of de facto control.

Such classifications have a significant impact on the consolidated financial statements due to the significantly different accounting treatments of subsidiaries, associates and joint arrangements.

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

Useful life and residual value of property, plant and equipment and right-of-use assets

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated individual useful lives. Management exercises significant estimate and judgement for the determination of the depreciation method and the useful lives and residual values of these assets, including their expected usage over their lives, the rate of their physical wear and tear, and their technological or commercial obsolescence. Such estimates could have a significant impact on the annual depreciation charge recognized in profit or loss (also refer Note 5 (C)).

3. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

Estimates (continued)

Impairment of non-financial assets (other than inventories)

The carrying amounts of the Group's non-financial assets other than goodwill (Property, plant and equipment, right-of-use assets and equity accounted investees) are reviewed at each reporting date to determine whether there is any indication of impairment. That assessment requires judgement. Goodwill is tested annually for impairment. The determination of recoverable amounts of non-financial assets (the higher of their fair values less costs of disposal and their "value in use") requires management to make significant judgments, estimations and assumptions. In particular the assessment of "value in use" requires management to estimate expected future cash flows from an asset or a cash generating unit and also to choose an appropriate discount rate to discount those cash flows to present value (also refer Note 5 (F)).

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 (also refer Note 12).

Impairment of financial assets measured at amortised cost

The "expected credit loss" (ECL) impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability and magnitude of default to various categories of financial assets measured at amortised cost (loans receivable, trade receivables, receivables from related parties, dividend receivable, other receivables and cash at bank). Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The magnitude of the loss in case there is a default is also an estimate of the loss arising on default; it is based on the difference between the contractual cash flows due and those that the Group would expect to receive (also refer note 37).

Fair value of cash flow hedges

The Group uses derivative financial instruments to manage their exposure to the variability of bank borrowings due to fluctuations in interest rates. All such derivatives are carried at fair value. Their fair values are estimated using models and valuation methods due to the absence of quoted prices or other market-observable data. These contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information (also refer Note 18).

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 (also refer Note 6 (c)).

3. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

Estimates (continued)

Leases - estimating the incremental borrowing rate

Whenever the Group cannot readily determine the interest rate implicit in the lease, 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).

Other provisions and liabilities

Other provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

e) New currently effective IFRS requirements

Listed below are the recent changes to International Financial Reporting Standards ("IFRS" or "standards") that are required to be applied by an entity with an annual reporting period beginning on or after 1 January 2022:

| <i>Effective date</i> | <i>Standards and interpretations</i> |
|------------------------------|--|
| 1 April 2021 | - Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16 |
| | - Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 |
| 1 January 2022 | - 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 |

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.

3. Basis of preparation (continued)

f) 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 consolidated financial statements are disclosed below.

| Effective date | Standards and interpretations |
|--|---|
| 1 January 2023 | <ul style="list-style-type: none"> - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - Definition of Accounting Estimates (Amendments to IAS 8) - IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) |
| 1 January 2024 | <ul style="list-style-type: none"> - Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) |
| Available for optional adoption/effective date deferred indefinitely | <ul style="list-style-type: none"> - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) |

The group intends to adopt these standards, if applicable, when they become effective, however, these are not expected to have a significant impact on the Group's consolidated financial statements.

4. 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.

a) Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (See section on "Subsidiaries" below). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises (See accounting policy "Goodwill") is tested annually for impairment (See accounting policy "Impairment"). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities which are not measured at fair value through profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

In case the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent the Group has an obligation to the equity accounted investee or has made payments to third parties on behalf of the equity accounted investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- an investment in equity securities designated as at FVOCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Qatari Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Qatari Riyals at the exchange rates at the dates of the transactions.

4. Summary of significant accounting policies (continued)

b) Foreign currency (continued)

Foreign operations (continued)

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

c) 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.

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.

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets or the duration of contractual agreements with off-takers.

| | Useful life |
|---|--------------------|
| Production facilities | 30 years |
| Capital spares | 30 years |
| Solar photovoltaic assets | 20 years |
| Furniture, fixtures, and office equipment | 3-7 years |
| Motor vehicles | 4-5 years |
| Computer software | 3 years |
| "C" inspection costs | 3-5 years |

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.

4. Summary of significant accounting policies (continued)

c) Property, plant and equipment

Depreciation (continued)

Capital spares are depreciated over its remaining useful life when it is being put to use.

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

Derecognition

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.

d) Right-of-use assets

Recognition and measurement

Right-of-use assets are recognized at the lease commencement date at cost, which comprises the initial amount of the lease liability (see accounting policy "Lease liabilities") adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent measurement

Items of right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of a right-of-use asset using the straight-line method over the earlier of the lease term and its useful life. It is depreciated over its useful life, if the lease agreement either transfers ownership of the right-of-use asset to the Group by the end of the lease term or reflects that the Group will exercise a purchase option at the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

In addition, the carrying value of a right of use asset may be periodically adjusted for certain remeasurements of the related lease liability (see accounting policy "Lease liabilities").

Derecognition

An item of a right-of-use asset is derecognised at the earlier of end of the lease term, cancellation of lease contract or transfer of control of the underlying asset. In case control of the underlying asset passes to the Group, the carrying value of the right-of-use asset is reclassified to property and equipment.

e) Goodwill

Initial measurement

Goodwill arising on the acquisition of a business is measured as the excess of the consideration transferred over the fair value of the identifiable net assets acquired. In case the consideration transferred is less than the fair value of the net identifiable assets acquired, then the difference is recognized directly in profit or loss as a bargain purchase. Where settlement of any part of consideration transferred is deferred, the consideration to be transferred in future periods is discounted to present value as at the date of the transaction. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

4. Summary of significant accounting policies (continued)

e) Goodwill (continued)

Subsequent measurement

Goodwill is not amortised, but is tested for impairment on an annual basis or more frequently if there are events and circumstances indicating that it has been impaired (See accounting policy "Impairment").

f) 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.

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.

Derecognition

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.

g) 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 or FIFO as appropriate, 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.

When inventories are allocated to another asset the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. A provision is made for any write-down of inventories to net realisable value and such a provision is reflected as an expense in profit or loss in the period of the write-down. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised in profit or loss in the period in which the reversal occurs.

4. Summary of significant accounting policies (continued)

h) Leases

Leases – Group as a lessee:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset; or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The above policy is applied to contracts effective as on or entered into after 1 January 2019.

Where it is established that the Group is a lessee, a right-of-use asset (See accounting policy "Property and equipment") and a lease liability are recognized at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are subsequently measured at amortised cost using the effective interest method.

A lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. Summary of significant accounting policies (continued)

h) Leases (continued)

Leases – Group as a lessor

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Under an operating lease, the asset is included in the statement of financial position as property and equipment. Lease income is recognized over the term of the lease on a straight-line basis. This implies the recognition of deferred income when the contractual day rates are not constant during the initial term of the lease contract.

Leases in which a significant portion of the risk and rewards of ownership are transferred to the lessee are classified as finance leases. They are initially recognised as “Finance lease receivables” on the statement of financial position at the present value of the minimum lease payments (the net investment in the lease) receivable from the lessee over the period of the lease. Over the lease term, each lease payment made by the lessee is allocated between the “Finance lease receivables” and “Finance lease income” in profit or loss so as to achieve a constant rate on the finance lease receivable balance outstanding.

i) Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a significant financing component, or a financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. An accounts receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets

Classification on initial recognition

On initial recognition, a financial asset is classified at:

- amortised cost – if it meets both of the following conditions and is not designated as at FVTPL:
 - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- Fair Value Through Other Comprehensive Income (FVOCI) - if it meets both of the following conditions and is not designated as at FVTPL:
 - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.
- Fair Value Through Profit or Loss (FVTPL) – All financial assets not classified as measured at amortised cost or FVOCI as described above.

4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

Classification on initial recognition (continued)

On initial recognition, the Group may irreversibly designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. The Group has classified on initial recognition its loans receivable, its trade receivables, its receivables from related parties, its dividend receivable, its other receivables and its cash at bank at amortised cost. The Group does not hold any other financial assets.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Assessment whether contractual cash flows are Solely Payments of Principle and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

Assessment whether contractual cash flows are Solely Payments of Principle and Interest (SPPI) (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

- Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Financial assets at Fair Value Through Profit or Loss (FVTPL) - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Group does not hold such assets.
- Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group does not hold such assets.
- Equity investments at Fair Value Through Other Comprehensive Income (FVOCI) - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss. The Group does not hold such assets.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The Group does not have financial liabilities at FVTPL.

Other financial liabilities (loans and borrowings, and other payables) are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

In the case the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

The Group and certain equity-accounted investees of the Group hold derivative financial instruments to hedge their interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Certain derivatives are designated as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

Only the change in fair value of the spot element of forward exchange contracts is designated as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

4. Summary of significant accounting policies (continued)

j) Impairment

Non-derivative financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost (loans receivable, trade and other receivables, receivables from related parties, and cash at bank). The Group does not hold financial assets measured at FVOCI or debt investments and equity investments that are measured subsequently at FVTPL.

The Group measures loss allowance either at an amount equal to:

- lifetime ECLs, which are those ECLs that result from all possible default events over the expected life of a financial instruments; or
- 12-month ECLs, which includes the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group considers that it is not exposed to any credit risk with respect to its receivables from governments or their controlled entities.

For the financial assets, except for the cash at bank, the Group applied the simplified approach to measuring ECLs which recognises the lifetime ECLs of these assets that reflect an increased credit risk. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

Loss allowances on bank balances are always measured at an amount equal to 12-month ECLs. The Group considers bank balances to have a low risk level when their credit risk rating is equivalent to the globally understood definition of "investment grade".

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4. Summary of significant accounting policies (continued)

j) Impairment (continued)

Non-derivative financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default or a dispute with the customer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower / customer will enter into bankruptcy or other financial reorganisation.

Presentation of loss allowance on financial assets in the statement of financial position

Any loss allowance on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, management reviews the carrying amounts of its non-financial assets (Property, plant and equipment, right-of-use assets, investment in equity accounted investees and goodwill, but not 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 Cash Generating Units (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 a 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 the CGU.

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

Impairment losses are recognised 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 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 recognised.

4. Summary of significant accounting policies (continued)

k) 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.

l) Assets held for sale / distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale / distribution if it is highly probable that they will be recovered primarily through sale rather than through continuing use or when the entity is committed to distributing the asset or disposal group to its owners .

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Losses on initial recognition of assets held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale / distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

m) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale / distribution. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

o) Foreign currency translation reserve

The translation reserve records exchange differences arising from the translation of the financial statements of foreign operations. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the profit or loss.

p) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4. Summary of significant accounting policies (continued)

p) Employee benefits (continued)

Defined contribution plans

Obligations for contributions to defined contribution plans which are provided to its employees, are expensed as the related service is provided. For 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 Company's share of contributions to these schemes are charged to profit or loss to the year they relate.

Defined benefit plans

The Group provides end of service benefits to its 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.

q) Provisions

A provision is recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value, of the best estimate, of the amount required to settle the obligation. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

r) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers for sales of goods or services in the ordinary course of the Group's activities is recognized in accordance with the following 5-step model:

1. Identify contracts with customers: A contract is an agreement which creates enforceable rights and obligations and sets out criteria that must be met.
2. Identify performance obligations within the contract: A performance obligation is a promise to deliver a good or a service to a customer.
3. Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for delivering the promised goods or services to a customer.
4. Allocate the transaction price to the performance obligations, if more than one.
5. Recognize revenue as and when the performance obligation(s) is/are satisfied.

Revenue from sale of water and electricity

Revenue from sale of water and electricity is recognised at a point in time when control of the goods and service is transferred to the customer, generally on delivery of the goods and services. The Group recognises output charges revenue based on the sent-out electricity and water on a monthly basis.

4. Summary of significant accounting policies (continued)

s) Revenue recognition (continued)

Revenue from sale of water and electricity (continued)

The Group sells power and water, produced in power generation and water desalination plants operating with gas, coal, wind and solar energy. Customer takes control of the power and water at the time these are dispatched from the plant. At this point, the customer has full discretion over the manner of distribution and price to sell the power and water, has the primary responsibility when on selling the power and water, and bears the risks of loss in relation of power and water in the network. Therefore, revenue is recognised when the power and water leave the Group's plants.

Revenue from available capacity relating to fixed capital recovery and fixed operations and maintenance

Revenue from available capacity relating to fixed capital recovery and fixed operations and maintenance is recognised on a systematic basis when the Group makes the capacity available to off-taker as per the terms of the Power and Water Purchase Agreement (PWPA).

Revenue from other sources

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.

Fee income

Fee income is recognized though the period for which the services are provided. The Group generates free income from providing technical, financial and construction management services.

r) Income tax

Income tax expense comprises current and deferred tax attributed to each of the Group entities. It is recognized in profit or loss.

Current tax

Current tax comprises the total of the expected tax payable or receivable on the taxable profit or loss for the year, adjusted for any corrections to the tax payable or receivable of previous years. It is calculated on the basis of the local and foreign tax laws enacted or substantively enacted at the reporting date.

4. Summary of significant accounting policies (continued)

r) Income tax (continued)

Deferred tax

Deferred tax is recognized in respect of temporary differences arising between the carrying amounts of assets and liabilities reported in the financial statements of each Group entity and their respective amounts used for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled using tax rates based on tax laws that have been enacted or substantially enacted by the reporting date.

t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

u) 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.

v) 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.

w) 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.

x) 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

4. Summary of significant accounting policies (continued)

y) Pass-through items

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

z) 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
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

5. Property, plant and equipment

| | Land facilities (A) | Production photovoltaic assets | Solar photovoltaic assets | Furniture, fixtures and office equipment | Motor vehicles | “C” inspection costs (B) | Capital spares | Capital work in progress (E) | Total |
|---|---------------------|--------------------------------|---------------------------|--|----------------|--------------------------|----------------|------------------------------|-------------------|
| Cost: | | | | | | | | | |
| At 1 January 2022 | - | 10,693,029 | - | 30,934 | 6,158 | 197,281 | 50,487 | - | 10,977,889 |
| Additions | - | - | - | 1,751 | 535 | 34,089 | - | 9,924 | 46,299 |
| Acquired through business combination (Note 41) | 528 | - | 882,161 | 750 | 550 | - | - | 771,133 | 1,655,122 |
| Capitalisation | - | - | 776,687 | - | - | - | - | (776,687) | - |
| Disposals/transfers | - | - | (8,013) | (18,140) | (210) | (693) | (2,288) | - | (29,344) |
| Transfer from inventories (Note 12) | - | - | - | - | - | - | 124,149 | - | 124,149 |
| Effects of movements in exchange rates | (127) | - | (93,983) | - | - | - | - | 42,190 | (51,920) |
| At 31 December 2022 | 401 | 10,693,029 | 1,556,852 | 15,295 | 7,033 | 230,677 | 172,348 | 46,560 | 12,722,195 |

Accumulated depreciation and impairment

| | | | | | | | | | |
|-------------------------------------|----------|------------------|---------------|---------------|--------------|----------------|----------------|----------|------------------|
| At 1 January 2022 | - | 6,001,854 | - | 28,761 | 5,737 | 96,137 | 40,290 | - | 6,172,779 |
| Depreciation (D) | - | 235,197 | 40,029 | 1,917 | 510 | 46,239 | 2,949 | - | 326,841 |
| Depreciation reversal (C) | - | - | - | - | - | - | (39,674) | - | (39,674) |
| Depreciation on disposals | - | - | (2) | (18,356) | (210) | (693) | - | - | (19,261) |
| Transfer from inventories (Note 12) | - | - | - | - | - | - | 124,149 | - | 124,149 |
| Adjustments | - | - | (9,364) | (616) | - | - | - | - | (9,980) |
| Impairment (F) | - | 83,094 | - | - | - | - | - | - | 83,094 |
| At 31 December 2022 | - | 6,320,145 | 30,663 | 11,706 | 6,037 | 141,683 | 127,714 | - | 6,637,948 |

Carrying amounts

| | | | | | | | | | |
|----------------------------|------------|------------------|------------------|--------------|------------|---------------|---------------|---------------|------------------|
| At 31 December 2022 | 401 | 4,372,884 | 1,526,189 | 3,589 | 996 | 88,994 | 44,634 | 46,560 | 6,084,247 |
|----------------------------|------------|------------------|------------------|--------------|------------|---------------|---------------|---------------|------------------|

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

5. Property, plant and equipment (continued)

| | Production facilities (A) | Furniture, fixtures and office equipment | Motor vehicles | "C" inspection costs (B) | Capital spares | Capital work in progress | Total |
|--|---------------------------|--|----------------|--------------------------|----------------|--------------------------|-------------------|
| Cost: | | | | | | | |
| 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 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January 2021 | 5,766,635 | 35,106 | 5,304 | 116,300 | 37,846 | - | 5,961,191 |
| Depreciation (D) | 235,219 | 1,246 | 490 | 36,233 | 2,444 | - | 275,632 |
| Depreciation on disposals | - | (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 |
| Carrying amounts | | | | | | | |
| At 31 December 2021 | 4,691,175 | 2,173 | 421 | 101,144 | 10,197 | - | 4,805,110 |

(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 from 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.

Change in estimates

During 2022, the Group conducted an operational efficiency review of all the plants, which resulted in changes in the expected usage of strategic and noble parts (capital spares). These capital spares, which management had earlier estimated a useful life of 20 years, is now expected to remain in good condition at least until the end of tenure of the Power and Water Purchase Agreement. As a result, the expected useful life of the spares increased and revised the estimated residual value. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows:

5. Property, plant and equipment (continued)

(C) Reversal of depreciation charge (continued)

Change in estimates (continued)

| <i>In millions of QAR</i> | 2022 | 2023 | 2024 | 2025 | 2026 | Later |
|---|-------------|-------------|-------------|-------------|-------------|--------------|
| (Decrease) / increase in depreciation expense | (39.67) | (3.25) | (3.25) | (3.25) | (3.25) | (12.41) |

(D) Depreciation

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

| | 2022 | 2021 |
|---|----------------|----------------|
| Cost of sales (Note 26) | 281,677 | 273,920 |
| General and administrative expenses (Note 27) | 5,490 | 1,712 |
| | 287,167 | 275,632 |

(E) This represents solar energy projects under construction in Netherlands and Brazil. These projects are expected to be completed and put into operation in 2023.

(F) During the year, owing to proposed revision in the existing power purchase agreement (PPA) with KAHRAMAA for RAF B1 station and the early termination of water purchase agreement with QatarEnergy for Dukhan Plant, management identified impairment indicators related to these two plants. Following this an impairment assessment was performed by management, which resulted in an impairment loss amounting to QAR 63.4 million and QAR 19.7 million, respectively on these plants, which is recognised under the general and administrative expenses (Refer Note 27). The recoverable value of Dukhan Plant was considered to be zero as no future cashflows were forecasted due to termination of the contract, whereas for RAF B1 station the recoverable value was determined to be QAR 51.3 million as against the carrying value of QAR 114.7 million as of the reporting date. The recoverable value was determined based on the discounted cash flows forecasted until 31 December 2029 using a discount rate of 5.28%. Management has applied a significant judgement that the existing PPA would extend until 31 December 2029.

6. Leases

The Group has sub-leased the office premises for a period of 60 months, with an option to renew the lease after that date by mutual agreement. Management has not considered any extension option for any of its leases. The Group is restricted from entering into any further sub-lease arrangements without the written consent of the lessor.

The Group leases properties for staff accommodation. Majority of these leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. Further, the Group leases vehicles and equipment on short-term basis where it does not recognise right of use assets and lease liabilities.

6. Leases (continued)

(a) Right-of-use assets

| | 2022 | 2021 |
|--|---------------|---------------|
| Cost: | | |
| At 1 January | 31,825 | 35,055 |
| Additions | 21,724 | - |
| Acquired through business combination | 27,104 | - |
| Effects of movements in exchange rates | 788 | - |
| Termination of lease | (9,411) | (3,230) |
| At 31 December | 72,030 | 31,825 |

6. Leases (continued)**(a) Right-of-use assets (continued)****Accumulated depreciation**

| | | |
|------------------------|---------------|--------------|
| At 1 January | 8,890 | 5,539 |
| Depreciation (Note 27) | 8,409 | 4,191 |
| Termination of lease | (2,979) | (840) |
| At 31 December | 14,320 | 8,890 |

Carrying amounts

| | | |
|-----------------------|---------------|---------------|
| At 31 December | 57,710 | 22,935 |
|-----------------------|---------------|---------------|

(b) Lease liabilities

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| At 1 January | 26,103 | 32,182 |
| Additions | 21,724 | - |
| Acquired through business combination | 27,062 | - |
| Interest expense (Note 30) | 2,199 | 1,376 |
| Payments | (8,745) | (4,626) |
| Termination of lease | (6,509) | (2,829) |
| At 31 December | 61,834 | 26,103 |

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

| | 2022 | 2021 |
|-----------------------|---------------|---------------|
| Non-current | 55,225 | 23,066 |
| Current | 6,609 | 3,037 |
| At 31 December | 61,834 | 26,103 |

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

| | 2022 | 2021 |
|---|--------------|-------|
| Depreciation of right-of-use assets (Note 27) | 8,409 | 4,191 |
| Interest on lease liabilities (Note 30) | 2,199 | 1,376 |
| Gain / (loss) on termination of lease | 79 | (439) |

(c) Extension options

The sub-lease arrangements contain extension option exercisable by the Group and to be agreed by mutual consent. The extension options held are exercisable only by the Group and not by the lessor. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension option.

(d) Finance lease receivables

The Group has determined that one of the subsidiaries (Ras Laffan Power Company Limited Q.P.S.C.) Power and Water Purchase Agreement (PWPA) with KAHRAMAA contained a lease in accordance with IFRIC 4, which was grandfathered, when the group transitioned to IFRS 16 and, accordingly, the Group has accounted for the cost of the plant as a finance lease receivable.

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 (2021: 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.

6. Leases (continued)

d) Finance lease receivables (continued)

| | 2022 | 2021 |
|---|----------------|----------------|
| Gross lease receivable | 1,048,521 | 1,147,871 |
| Unearned finance income | (250,102) | (324,565) |
| Present value of minimum lease receivable | <u>798,419</u> | <u>823,306</u> |

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

| | 2022 | 2021 |
|---------------------|----------------|----------------|
| Non-current portion | 764,888 | 798,419 |
| Current portion | 33,531 | 24,887 |
| | <u>798,419</u> | <u>823,306</u> |

The non-current portion is further analysed as follows:

| | 2022 | 2021 |
|---|----------------|----------------|
| Later than one year and not later than five years | 633,868 | 559,940 |
| Later than five years | 131,020 | 238,479 |
| | <u>764,888</u> | <u>798,419</u> |

| | 2022 | 2021 |
|--|----------------|----------------|
| At 1 January | 823,306 | 973,613 |
| Lease interest recognized during the year | 75,730 | 93,554 |
| Capital and lease interest recovered during the year | (100,617) | (243,861) |
| At 31 December | <u>798,419</u> | <u>823,306</u> |

7. Intangible assets and goodwill

During the previous years, the Group has identified and recorded the following intangible assets with definite useful lives and goodwill.

| | 2022 | 2021 |
|-----------------------|---------------|---------------|
| Intangible assets (i) | 41,792 | 47,762 |
| Goodwill (ii) | 30,813 | 30,813 |
| Total | <u>72,605</u> | <u>78,575</u> |

(i) Intangible assets

| | 2022 | 2021 |
|-----------------------------|----------------|----------------|
| Cost: | | |
| As at 1 January (1) | 113,430 | 113,430 |
| At 31 December | <u>113,430</u> | <u>113,430</u> |
| Amortisation: | | |
| At 1 January (1) | 65,668 | 59,698 |
| Amortisation (Note 27) | 5,970 | 5,970 |
| At 31 December | <u>71,638</u> | <u>65,668</u> |
| Net carrying amount: | | |
| At 31 December | <u>41,792</u> | <u>47,762</u> |

7. Intangible assets and goodwill (continued)

(i) Intangible assets (continued)

(1) 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

Acquisition of subsidiaries

Goodwill is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities on the date of acquisition. Goodwill has been allocated to the cash-generating unit that benefits from the business combination as follows.

| Cash generating unit | 2022 | 2021 |
|---|----------------------|----------------------|
| Ras Laffan Power Company Limited Q.P.S.C. | 30,813 | 30,813 |
| Less: impairment | - | - |
| | <u>30,813</u> | <u>30,813</u> |

Impairment testing of goodwill

Key assumptions used in value in use calculations

The recoverable amount of cash generating unit has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering remaining power and water purchase agreement period.

The principal assumptions used in the projections relate to Weighted Average Cost of Capital (WACC). The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for the cash generating unit (CGU). Please also refer accounting policies disclosed in note 4(e) and 4(j).

| Cash generating units | Discount rates used in 2022 | Discount rates used in 2021 |
|---|--|--|
| Ras Laffan Power Company Limited Q.P.S.C. | 5.28% | 5.00% |

Growth rate estimates

Future expected cash flows used in the calculation of the value in use were mainly derived from the existing power and water purchase agreements. These include fixed and variable capacity charges, specific yields, peak % and the proposed tariffs, which are all governed by the respective power and water purchase agreements.

Management has performed impairment testing exercise for the cash generating unit and determined the recoverable value to be higher than the carrying value. Therefore, no impairment was required to be recorded as at 31 December 2022 (2021: No impairment).

Sensitivity testing

At 31 December 2022, the results of the sensitivity tests show that no reasonably possible change in key assumptions brought the recoverable value of these CGUs below their net carrying amounts.

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

8. Investment in equity-accounted investees

| | At 1 January 2022 | Acquired through business combination (Note 41) | Additions / (capital reduction) | Share of results | Dividends received | Share of other comprehensive income - cash flow hedges | Share of other comprehensive income - foreign currency translation | De-recognition / re- classification | At 31 December 2022 |
|--|----------------------|---|---------------------------------------|---------------------|-----------------------|---|--|---|---------------------------|
| Joint ventures: | | | | | | | | | |
| Umm Al Houli Power Q.P.S.C. | 994,485 | - | - | 264,455 | (96,228) | 997,248 | - | - | 2,159,960 |
| Qatar Power Q.J.P.S.C. (Note i) | 412,960 | - | - | 96,991 | (109,615) | 23,531 | - | - | 423,867 |
| Ras Girtas Power Company Q.P.S.C. (Note iv) | 150,202 | - | - | 168,710 | (65,610) | 1,267,367 | - | - | 1,520,669 |
| Mesaieed Power Company Q.P.S.C. | 138,398 | - | - | 45,930 | (12,393) | 327,709 | - | - | 499,644 |
| Nebras Power Q.P.S.C. (Refer Note 41) | 3,205,145 | - | - | (76,435) | - | 39,141 | 22,240 | (3,190,091) | - |
| Acquired through business combination | | | | | | | | | |
| Shams Maan Solar UK Ltd | - | 45,625 | - | 2,085 | (8,412) | 4,156 | - | - | 43,454 |
| Nebras IPC Power Developments Ltd | - | 910 | - | (199) | - | - | - | - | 711 |
| Zonnepark Mosselbanken Tem | - | 27,389 | 250 | 8,557 | (8,154) | - | - | - | 28,042 |
| Zonnepark Duisterweg B.V. | - | 7,027 | 1,287 | (96) | - | - | - | - | 8,218 |
| NEC Energia e Participacoes S.A. | - | 117,527 | - | 6,855 | - | 123 | (1,084) | - | 123,421 |
| NEC Desinvestimentod e Projectos em Energia e Participacoes S.A. | - | 25,799 | - | 2,098 | (1,764) | (117) | (63) | - | 25,953 |
| Associates: | | | | | | | | | |
| Siraj Energy Q.P.S.C. (Refer Note 39) | 171,351 | - | - | 8,679 | - | 56,297 | - | (236,327) | - |
| Acquired through business combination | | | | | | | | | |
| Phoenix Power Company SAOG | - | 196,934 | - | 10,568 | (3,409) | 9,218 | - | - | 213,311 |
| Phoenix Operation and Maintenance Company L.L.C. | - | - | - | 958 | 2,249 | - | - | - | 3,207 |
| AES Oasis Ltd | - | 174,174 | - | 5,510 | - | - | - | - | 179,684 |
| AES Baltic Holding B.V. | - | 239,765 | - | 9,855 | - | - | - | - | 249,620 |
| PT Paiton Energy Pte Ltd | - | 1,498,467 | - | 84,708 | (89,951) | - | - | - | 1,493,224 |
| IPM Asia Pte Ltd | - | 86,580 | - | 8,129 | (11,361) | - | - | - | 94,709 |
| Minejesa Capital B.V. | - | 143,788 | - | 10,436 | - | 3,856 | - | - | 146,719 |
| AES Jordan Solar B.V. | - | 28,218 | - | 2,422 | - | 674 | - | - | 31,314 |
| Stockyard Hill Wind Farm (Holding) Pty Ltd | - | 764,354 | (50,681) | 9,666 | - | (164,909) | - | - | 558,430 |
| Unique Meghnaghat Power Limited | - | 145,022 | 15,837 | (464) | - | - | - | - | 160,395 |
| NEKS Energy B.V. (Netherlands) | - | - | 7,073 | - | - | - | - | - | 7,073 |
| Moorabool Wind Farm | - | - | 933,055 | - | - | - | - | - | 933,055 |
| | 5,072,541 | 3,501,579 | 906,821 | 669,418 | (404,648) | 2,564,294 | 21,093 | (3,426,418) | 8,904,680 |

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

8. Investment in equity-accounted investees (continued)

| | At 1 January 2021 | Additions | Share of results | Dividends received | Share of other comprehensive income | Share of foreign currency translation difference | At 31 December 2021 |
|--|----------------------|----------------|---------------------|-----------------------|---|--|---------------------------|
| Joint ventures: | | | | | | | |
| Nebras Power Q.P.S.C. (Note i) | 3,048,454 | - | 123,762 | - | 53,058 | (20,129) | 3,205,145 |
| Umm Al Houli Power Q.P.S.C. | 451,742 | 145,365 | 135,096 | (80,919) | 343,201 | - | 994,485 |
| Qatar Power Q.J.P.S.C. (Note ii) | 422,225 | - | 77,376 | (110,089) | 23,448 | - | 412,960 |
| Ras Girtas Power Company Q.P.S.C. (Note iii) | - | - | 154,095 | (131,220) | 127,328 | - | 150,203 |
| Mesaieed Power Company Q.P.S.C. (Note iv) | - | - | 64,293 | (48,845) | 122,948 | - | 138,396 |
| Associate: | | | | | | | |
| Siraj Energy Q.P.S.C. (Note v) | 77,571 | 64,052 | 15,499 | - | 14,230 | - | 171,352 |
| | 3,999,992 | 209,417 | 570,121 | (371,073) | 684,213 | (20,129) | 5,072,541 |

(i) Nebras Power Q.P.S.C.

In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras Power Q.P.S.C. ("Nebras"). As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras (Refer Note 41).

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. (refer Note 22).

(ii) Qatar Power Q.J.P.S.C.

On 3 September 2020, the General Tax Authority (GTA) issued an income tax assessment for the year 2016 and 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). 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 was 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.

8. Investment in equity-accounted investees (continued)

(ii) Qatar Power Q.J.P.S.C. (continued)

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 disallowing "Directors' Remuneration" from taxable profits and reducing the resultant penalties to 30%. Management noted certain interpretation issues pertaining to the adjustment of foreign shareholding in Qpower, which were not clarified in the written letter, as the letter did not specify to what extent the foreign shareholding of QEWC would be adjusted. Further, the decision was 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) as the changes were introduced in 2019 after the enactment of the New Executive Tax Regulations. The management raised the matter to the primary court pleading that the tax assessments for the years 2016 and 2017 were incorrect and unjustified. A hearing was held on 15 June 2022, and the court had appointed an independent expert to calculate the foreign shareholding in QEWC and the tax liability of Qpower for the years 2016 and 2017.

On 25 October 2022, the Court issued its judgment in favour of Qpower in line with the findings of the independent expert report with no tax liability due from Qpower. According to the Court judgement, it was implied that Qpower did not delay any tax payment, and the imposed differences, including tax penalties, and additional taxes, by GTA were not due. However, some discrepancies in the judgement and its finding were noted. Having consulted with the legal advisor, the management has decided to appeal against the judgement before the Court of Cassation.

Although Qpower received the judgment in its favour, due to vagueness in the judgement and uncertainties of the outcome, Qpower has continued to maintain the liability amounting to USD 17.2 million excluding penalties as per open assessment orders. As per the MOU, the MoF undertakes to settle the income tax amounts payable by the Company for the previous years. The Company is also entitled to claim the tax paid up to 14 June 2018 from KAHRAMAA as a pass-through item as agreed with KAHRAMAA. Accordingly, the Company has recorded income tax receivables of USD 17.2 million against the tax assessments received 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.

Management expects that the tax penalties imposed by the GTA in relation to the above dispute will be waived off after the final resolution of this matter with the GTA. Therefore, no adjustments to the consolidated financial statements were necessary.

(iii) Ras Girtas Power Company Q.P.S.C.

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.

8. Investment in equity-accounted investees (continued)*(iv)* Siraj Energy Q.P.S.C.

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 achieved in the first week of September 2022 and the Target Facility Date is met on 18 October 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).

(v) Umm Al Houl Power P.Q.S.C.

The share of results include the operating margin of USD 31.2 million (QAR 113.6 million) generated during the post COD period until the acceptance of the fuel demand model under the PWPA ("FDM") which included an allowance for a variable fuel charge. This was not recognised as revenue in the previous years and was deferred as a PWPA contingency until all obligations of the Company under PWPA were satisfied and associated uncertainties become remote. During the year, management decided to recognize the aforementioned deferred operating margin as revenue during the current financial year after getting the necessary approvals from the board of directors and the shareholders including a legal opinion concluding that it is not probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The movements in the Group's investments in the equity-accounted investees were as follows:

| | 2022 | 2021 |
|---|-------------------------|-------------------------|
| At 1 January | 5,072,541 | 3,999,992 |
| Acquired through business combination (Refer Note 41 (c)) | 3,501,579 | - |
| Deemed disposal of existing interest in a joint venture (Refer Note 41 (e)) | (3,190,091) | - |
| Additional investment made during the year | 906,821 | 209,417 |
| Reclassification to asset held-for-sale (Refer Note 39) | (236,327) | - |
| Share of results for the year | 669,418 | 570,121 |
| Share of other comprehensive income – cash flow hedges | 2,564,294 | 684,213 |
| Share of other comprehensive income – foreign currency translation | 21,093 | (20,129) |
| Dividends received | (404,648) | (371,073) |
| At 31 December | <u>8,904,680</u> | <u>5,072,541</u> |

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

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

8. Investment in equity-accounted investees (continued)

| At 31 December 2022 | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Equity | Group's interest | Revenue/ other income | Profit/(loss) for the year | OCI for the year | Group's share of results | Group's share of OCI |
|--|--------------------|----------------|-------------------------|---------------------|-----------|------------------|-----------------------|----------------------------|------------------|--------------------------|----------------------|
| Joint ventures: | | | | | | | | | | | |
| Umm Al Houl Power Q.P.S.C. | 11,812,536 | 1,085,309 | (8,726,536) | (571,375) | 3,599,934 | 60% | 2,267,980 | 441,849 | 1,659,713 | 265,109 | 995,828 |
| Qatar Power Q.J.P.S.C. | 751,486 | 724,826 | (308,316) | (419,707) | 748,289 | 55% | 784,663 | 143,741 | 42,781 | 79,057 | 23,530 |
| Ras Girtas Power Company Q.P.S.C. | 10,287,155 | 1,796,774 | (8,372,587) | (1,549,340) | 2,162,002 | 45% | 2,630,825 | 374,686 | 1,593,446 | 168,609 | 717,051 |
| Mesaieed Power Company Q.P.S.C. | 5,620,119 | 949,853 | (4,326,953) | (993,913) | 1,249,106 | 40% | 1,060,590 | 114,825 | 819,272 | 45,930 | 327,709 |
| Shams Maan Solar UK Ltd | 411,479 | 42,591 | (306,095) | (43,951) | 104,025 | 35% | 38,293 | 5,957 | 11,874 | 2,085 | 4,156 |
| Nebras IPC Power Developments Ltd | 3,640 | 1 | (2,104) | (115) | 1,422 | 50% | - | (398) | - | (199) | - |
| Zonnepark Mosselbanken Tem. | 131,259 | 8,469 | (132,682) | (2,533) | 4,513 | 40% | - | 21,393 | - | 8,557 | - |
| Zonnepark Duisterweg B.V. NEC Energia e Participacoes S.A. | 1,805 | 166 | (1,672) | (86) | 213 | 40% | - | (240) | - | (96) | - |
| NEC Desinvestimentos e Projectos em Energia e Participacoes S.A. | 214,667 | 35,919 | (30,993) | (20,129) | 199,464 | 50% | 51,456 | 13,710 | 246 | 6,855 | 123 |
| NEKS Energy B.V. | 13,568 | 32,194 | (2,712) | (11,698) | 31,352 | 50% | - | 4,196 | (234) | 2,098 | (117) |
| | - | - | - | - | - | 33.33% | - | - | - | - | - |
| Associates | | | | | | | | | | | |
| Phoenix Power Company SAOG | 4,755,955 | 580,722 | (2,454,143) | (599,810) | 2,282,724 | 9.84% | 663,966 | 107,398 | 26,337 | 10,568 | 2,607 |
| Phoenix Operation and Maintenance Company L.L.C. | - | 32,600 | (1,445) | (9,530) | 21,625 | 15% | - | 6,387 | - | 958 | - |
| | | | | | | | | | | | 1,916 |

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

**Notes to the consolidated financial statements
As at and for the year ended 31 December 2022**

In thousands of Qatari Riyals

8. Investment in equity-accounted investees (continued)

| At 31 December 2022 Associates (acquired through business combination) (continued) | Non- current assets | Current assets | Non- current liabilities | Current liabilities | Equity | Group's interest | Revenue/ other income | Profit/ (loss) for the year | OCI for the year | Group's share of results | Group's share of OCI |
|---|---------------------------|-------------------|--------------------------------|------------------------|-----------|---------------------|-----------------------------|-----------------------------------|---------------------|--------------------------------|----------------------------|
| | | | | | | | | | | | |
| AES Oasis Ltd | 606,859 | 243,086 | (169,323) | (254,385) | 426,237 | 39% | - | 14,126 | - | 5,509 | - |
| AES Baltic Holding B.V. | 777,316 | 376,719 | (524,307) | (77,956) | 551,772 | 40% | - | 24,638 | - | 9,855 | - |
| PT Paiton Energy Pte Ltd | 12,814,802 | 2,293,044 | (9,032,951) | (12,814,802) | 2,293,044 | 26% | 1,754,356 | 325,800 | - | 84,708 | - |
| IPM Asia Pte Ltd | 8,762 | 324 | - | (40) | 9,046 | 35% | (862) | 23,226 | - | 8,129 | - |
| Minejesa Capital B.V. | 7,618,778 | 518,853 | (7,611,229) | (409,107) | 117,295 | 26% | 640 | 40,138 | 14,831 | 10,436 | 3,856 |
| AES Jordan Solar B.V. | 154,217 | 51,716 | (49,831) | (118,608) | 37,494 | 40% | 32,438 | 6,055 | 1,685 | 2,422 | 674 |
| Stockyard Hill Wind Farm (Holding) Pty ltd | 3,063,178 | 149,182 | (394,122) | (86,752) | 2,731,486 | 49% | (862) | 19,727 | (216,994) | 9,666 | (106,327) |
| Unique Meghnaghat Power Limited | 864,626 | 26,656 | (652,054) | (7,208) | 232,020 | 24% | - | (1,933) | - | (464) | - |
| At 31 December 2021 | | | | | | | | | | | |
| Joint ventures: | | | | | | | | | | | |
| Nebras Power Q.P.S.C. | 4,984,358 | 3,796,781 | (2,721,810) | (717,421) | 5,341,908 | 3,205,145 | 1,049,093 | 206,270 | 54,881 | 123,762 | 32,929 |
| Umm Al Houl Power Q.P.S.C. | 10,836,279 | 966,457 | (9,225,066) | (920,195) | 1,657,475 | 994,485 | 1,953,829 | 225,161 | 572,001 | 135,097 | 343,201 |
| Qatar Power Q.J.P.S.C. | 1,024,712 | 770,553 | (554,616) | (489,813) | 750,836 | 412,960 | 717,835 | 140,682 | 42,635 | 77,375 | 23,449 |
| Ras Girtas Power Company Q.P.S.C. | 10,728,230 | 2,353,689 | (8,643,006) | (4,105,130) | 333,783 | 150,202 | 2,524,192 | 342,433 | 786,393 | 154,095 | 127,328* |
| Mesaieed Power Company Q.P.S.C. | 5,870,320 | 1,006,538 | (5,553,810) | (977,052) | 345,996 | 138,398 | 1,042,233 | 160,733 | 511,984 | 64,293 | 122,948* |
| Associate: | | | | | | | | | | | |
| Siraj Energy Q.P.S.C. | 337,657 | 21,524 | (9,485) | - | 349,696 | 171,351 | 34,996 | 31,631 | 29,039 | 15,499 | 14,229 |

9. Equity investments at fair value through other comprehensive income

| | 2022 | 2021 |
|---------------------------------------|-------------------------|------------------|
| At 1 January | 3,164,944 | 2,571,376 |
| Acquired through business combination | 4,172 | - |
| Disposals | (663,511) | - |
| Net change in fair value | <u>(182,842)</u> | <u>593,568</u> |
| At 31 December | <u>2,322,763</u> | <u>3,164,944</u> |

During the year, dividend income of QAR 160.9 million (2021: QAR 81.4 million) was received from equity investments at fair value through other comprehensive income, which is included under "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.

10. Other assets

| | 2022 | 2021 |
|-------------------------------|----------------------|----------------|
| At 1 January | 10,473 | 12,157 |
| Project development costs (1) | 5,397 | - |
| Debt service reserve (2) | 27,286 | - |
| Other non-current assets | 1,599 | - |
| Amortisation (Note 27) | <u>(1,765)</u> | <u>(1,684)</u> |
| At 31 December | <u>42,990</u> | <u>10,473</u> |

(1) This consists of incidental costs incurred for a potential future acquisition of an interest in an equity- investee and includes financial and technical due diligences, feasibility and market studies and financial and legal advisory expenses.

(2) This represents the balance the Group must hold on the reserve bank accounts, as a requirement from the lenders.

11 Taxation

The components of income tax are as follows:

| | 2022 | 2021 |
|-------------------|---------------------|----------|
| Current tax (i) | 1,336 | - |
| Deferred tax (ii) | <u>1,003</u> | <u>-</u> |
| | <u>2,339</u> | <u>-</u> |

(i) Current tax

The current tax comprises of the tax expenses incurred by the foreign subsidiaries of the Group which were acquired through business combination of Nebras Power Q.P.S.C. during the year.

Further, 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 subsidiaries, joint ventures and associates is taxable.

11 Taxation (continued)**(i) Current tax (continued)**

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 subsidiaries, joint ventures and associates 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 2022 and 2021.

(ii) Deferred tax

| | Acquired through business combination | Recognised in profit or loss | Cumulative translation adjustment impact | Deferred tax asset as at 31 December 2022 |
|------------------------------------|---------------------------------------|------------------------------|--|---|
| Tax losses carried forward | 49,157 | (1,003) | (20,112) | 28,042 |
| Temporary differences for the year | (24,318) | - | 28,400 | 4,082 |
| | 24,839 | (1,003) | 8,288 | 32,124 |

12. Inventories

| | 2022 | 2021 |
|---------------------------------------|---------------|-----------|
| Spare parts | 129,403 | 294,157 |
| Provision for slow-moving inventories | (36,938) | (232,111) |
| | 92,465 | 62,046 |
| Others | 1,522 | 1,864 |
| | 93,987 | 63,910 |

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

| | 2022 | 2021 |
|--|---------------|----------|
| At 1 January | 232,111 | 261,865 |
| Provision made (Note 27) | 10,975 | 5,215 |
| Transfer to property, plant and equipment (Note 5) | (124,149) | - |
| Reversal of provision | (81,999) | (34,969) |
| At 31 December | 36,938 | 232,111 |

In 2022, following change in estimates related to provision of slow moving and obsolete inventories, a provision of QR 82.0 million (2021: QR 35.0 million) was reversed. The reversal was recorded under "other income".

13. Trade and other receivables

| | 2022 | 2021 |
|---|----------------|---------|
| Trade receivables (i) | 633,855 | 434,097 |
| Accrued interest receivable | 58,591 | 21,618 |
| Prepayments and advances | 48,364 | 17,402 |
| Dividend receivable | - | 57,409 |
| Other receivables (i) | 37,726 | 35,514 |
| | 778,536 | 566,040 |
| Less: Allowance for impairment of receivables | - | - |
| | 778,536 | 566,040 |

(i) Amount due from related parties are disclosed in Note 36.

14. Cash and cash equivalents

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

| | 2022 | 2021 |
|---|------------------|------------------|
| Cash at bank – call and current accounts (1) | 826,729 | 353,915 |
| Term deposits (2) | 7,290,167 | 3,273,123 |
| Cash in hand | 75 | 75 |
| Cash and bank balances | 8,116,971 | 3,627,113 |
| Term deposits with original maturity over 90 days | (6,634,460) | (2,997,645) |
| Cash and cash equivalents | 1,482,511 | 629,468 |

Notes:

- 1- Cash held in bank current accounts earns no interest.
- 2- Term deposits are made for varying terms depending on the immediate cash requirements of the Group and earn interest at market rates.

Cash and cash equivalents are denominated in the following currencies:

| | 2022 | 2021 |
|--------------------|------------------|------------------|
| Qatari Riyals | 3,936,551 | 1,303,275 |
| Euro | 25,316 | - |
| Brazilian Real | 86,573 | - |
| US Dollars | 3,936,165 | 2,323,838 |
| Ukrainian Hryvnia | 20,498 | - |
| Australian Dollars | 111,868 | - |
| | 8,116,971 | 3,627,113 |

15. Share capital

| | 2022 | 2021 |
|---|------------------|-----------|
| <i>Authorized, issued and paid-up share capital</i> | | |
| 1,100,000,000 ordinary shares with nominal value of QAR 1 each (All shares bear equal rights) | 1,100,000 | 1,100,000 |

16. 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 already reached 50% of its paid-up share capital.

17. 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.

18. Hedge reserve

(a) Hedging reserves

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

| | 2022 | 2021 |
|--|----------------|--------------------|
| At 1 January | (1,778,702) | (2,513,650) |
| Cash flow hedges – effective portion of changes in fair value – net of related tax | 151,972 | 50,735 |
| Equity-accounted investees - share of OCI – net of related tax (1) | 2,564,294 | 684,213 |
| Cash flow hedges reclassified to profit or loss on derecognition of a joint venture – net of related tax | (49,368) | - |
| At 31 December | 888,196 | (1,778,702) |

(1) The share of other comprehensive income from equity-accounted investees were as follows:

| | 2022 | 2021 |
|--|------------------|----------------|
| Umm Al Houl Power Q.P.S.C. | 997,248 | 343,201 |
| Qatar Power Q.J.P.S.C. | 23,531 | 23,449 |
| Ras Girtas Power Company Q.P.S.C. | 1,267,367 | 127,328 |
| Mesaieed Power Company Q.P.S.C. | 327,709 | 122,948 |
| Nebras Power Q.P.S.C. | 39,141 | 53,058 |
| Siraj Energy Q.P.S.C. | 56,297 | 14,229 |
| Phoenix Power Company SAOG | 9,218 | - |
| PT Paiton Energy Pte Ltd | - | - |
| Shams Maan Solar UK Limited | 4,156 | - |
| Minejesa Capital B.V. | 3,856 | - |
| Stockyard Hill Wind Farm (Holding) Pty Ltd | (164,909) | - |
| NEC Energia e Participacoes S.A. | 123 | - |
| NEC Desinvolvimentod e Projectos em Energia e Participacoes S.A. | (117) | - |
| AES Jordan Solar B.V. | 674 | - |
| | 2,564,294 | 684,213 |

(b) Derivatives

| | 2022 | 2021 |
|--------------------------------------|---------------|------|
| Assets | | |
| Interest rate swaps used for hedging | 78,954 | - |

The derivative assets are classified in the consolidated statement of financial position as follows:

| | 2022 | 2021 |
|---------------------|---------------|------|
| Non-current portion | 77,536 | - |
| Current portion | 1,418 | - |
| | 78,954 | - |

| | 2022 | 2021 |
|--------------------------------------|-------------|--------|
| Liabilities | | |
| Interest rate swaps used for hedging | - | 32,252 |

18. Hedge reserve (continued)

(b) Derivatives (continued)

The derivative liabilities are classified in the consolidated statement of financial position as follows:

| | 2022 | 2021 |
|---------------------|-------------|---------------|
| Non-current portion | - | 2,552 |
| Current portion | - | 29,700 |
| | <u>-</u> | <u>32,252</u> |

19. 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.

| | 2022 | 2021 |
|---|-----------------------|------------------|
| At 1 January | 1,048,081 | 454,513 |
| Transfer directly to retained earnings on disposal of equity securities | (250,488) | - |
| Net unrealised gain on equity investments designated at FVOCI | (182,842) | 593,568 |
| At 31 December | <u>614,751</u> | <u>1,048,081</u> |

20. Foreign currency translation reserve

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

| | 2022 | 2021 |
|---|-----------------------|-----------------|
| At 1 January | (34,344) | (14,215) |
| Charge / (reversal) for the year | 21,093 | (20,129) |
| Reclassified to statement of profit or loss on derecognition of a joint venture | 12,103 | - |
| At 31 December | <u>(1,148)</u> | <u>(34,344)</u> |

21. Non-controlling interests

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

| | 2022 | 2021 |
|---|-----------------------|----------------|
| At 1 January | 177,124 | 207,745 |
| Acquired through business combination (refer note 41 (c)) | 145,970 | - |
| Profit for the year | 39,639 | 22,230 |
| Dividends paid during the year | (29,160) | (52,851) |
| At 31 December | <u>333,573</u> | <u>177,124</u> |

The financial information of Group's subsidiaries that have material non-controlling interests are provided below.

| At 31 December 2022 | Ras Laffan Power Company Q.P.S.C. | Nebras Brazil | Zon Exploitatie Nederland |
|---------------------------------------|--|-----------------------|--------------------------------------|
| NCI percentage | 20% | 20% | 25% |
| Non-current assets | 779,723 | 1,558,792 | 98,890 |
| Current assets | 129,657 | 106,939 | 26,587 |
| Non-current liabilities | (15,935) | (751,811) | (84,377) |
| Current liabilities | (54,888) | (88,335) | (38,121) |
| Net assets | <u>838,557</u> | <u>825,585</u> | <u>2,979</u> |
| Net assets attributable to NCI | <u>167,711</u> | <u>165,117</u> | <u>745</u> |

21. Non-controlling interests (continued)

| At 31 December 2022 | Ras Laffan Power Company Q.P.S.C | Nebras Brazil | Zon Exploitatie Nederland |
|---|-------------------------------------|---------------|------------------------------|
| NCI percentage | 20% | 20% | 25% |
| Revenue | 493,387 | 133,481 | 25,510 |
| Profit | 99,683 | 25,993 | 8,591 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | 99,683 | 25,993 | 8,591 |
| Profit allocated to NCI | 19,937 | 5,199 | 2,148 |
| OCI allocated to NCI | - | - | - |
| Total comprehensive allocated to NCI | 19,937 | 5,199 | 2,148 |
| Cash flows from operating activities | 95,741 | 44,073 | 4,062 |
| Cash flows from investing activities | - | (206,825) | (12,354) |
| Cash flows from financing activities | (148,506) | 206,198 | 12,721 |
| Net increase (decrease) in cash and cash equivalents | (52,765) | 43,446 | 4,429 |

At 31 December 2021

| | Ras Laffan Power Company Q.P.S.C. |
|--|---|
| NCI percentage | 20% |
| Non-current assets | 815,395 |
| Current assets | 140,464 |
| Non-current liabilities | (17,737) |
| Current liabilities | (52,504) |
| Net assets | 885,618 |
| Net assets attributable to NCI | 177,124 |
| Revenue | 482,739 |
| Profit | 111,151 |
| Other comprehensive income | - |
| Total comprehensive income | 111,151 |
| Profit allocated to NCI | 22,230 |
| OCI allocated to NCI | - |
| Total comprehensive allocated to NCI | 22,230 |
| Cash flows from operating activities | 318,872 |
| Cash flows from investing activities | 15 |
| Cash flows from financing activities | (266,347) |
| Net increase in cash and cash equivalents | 52,540 |

22. Loans and borrowings

The movements in loans and borrowings were as follows:

| | 2022 | 2021 |
|---|-------------------|------------------|
| At 1 January | 5,727,610 | 6,355,830 |
| Additions | 2,920,373 | - |
| Acquired through business combination (Note 41 (c)) | 2,766,858 | - |
| Repayments | (296,034) | (628,220) |
| Amortization of arrangement fee | 11,118,807 | 5,727,610 |
| | (43,991) | (47,380) |
| At 31 December | 11,074,816 | 5,680,230 |

22. Loans and borrowings (continued)

Terms and repayment schedule

| | Currency | Nominal interest rate | Year of maturity | 2022 | | 2021 | |
|---|----------|-----------------------|------------------|------------|-----------------|------------|-----------------|
| | | | | Face value | Carrying amount | Face value | Carrying amount |
| RAFB2 Project loan - MUFG facility agent | USD | LIBOR+1.15% | 2031 | 448,000 | 864,374 | 448,000 | 937,874 |
| RAFA1 Project loan - Conventional- MUFG facility agent | USD | LIBOR+0.85% | 2027 | 253,500 | 307,694 | 253,500 | 369,880 |
| RAFA1 Project loan-Islamic - QIB facility agency | USD | LIBOR+0.85% | 2027 | 126,475 | 153,514 | 126,475 | 184,540 |
| RAF A2 Project Loan-Conventional -QNB Facility agent | USD | LIBOR+1.75% | 2036 | 153,707 | 430,057 | 153,707 | 452,691 |
| RAF A2 Project Loan-Islamic- QIB facility agency | USD | LIBOR+1.75% | 2036 | 255,819 | 715,757 | 255,819 | 753,428 |
| RAF A3 Project Loan-Conventional -QNB Facility agent | USD | LIBOR+1.75% | 2040 | 284,587 | 866,121 | 284,587 | 902,999 |
| RAF A3 Project Loan-Islamic- Masraf Alrayan facility agency | USD | LIBOR+1.75% | 2040 | 94,862 | 287,031 | 94,862 | 299,324 |
| HSBC RCF | USD | Term SOFR+0.45% | 2023 | 125,600 | 457,812 | - | - |
| DBFS BANK RCF | USD | LIBOR+0.65% | 2023 | 100,000 | 364,500 | 100,000 | 364,500 |
| Bank of China RCF | USD | Term SOFR+0.45% | 2023 | 125,600 | 457,812 | 125,600 | 457,812 |
| SMBC RCF | USD | LIBOR+0.45% | 2022 | 125,600 | - | 125,600 | 457,812 |
| Mizuho Facility | USD | SOFR+0.4% | 2023 | 550,000 | 2,004,750 | 550,000 | - |
| Mizuho RCF | USD | Term SOFR+0.45% | 2023 | 150,000 | 546,750 | 150,000 | 546,750 |
| Banco do Nordeste do Brasil | BRL | 2.18% | 2039 | 294,996 | 201,206 | - | - |
| Banco do Nordeste do Brasil | BRL | 1.55% | 2042 | 244,707 | 168,167 | - | - |
| Banco do Nordeste do Brasil | BRL | 1.96% | 2042 | 242,293 | 166,104 | - | - |
| Banco do Nordeste do Brasil | BRL | 1.41% | 2042 | 225,208 | 155,145 | - | - |
| Triodos Fixed Loan Facility A - 2015 TGF 017671 | EUR | 2.08% | 2033 | 774 | 1,531 | - | - |
| Triodos Fixed Loan Facility B - 2015 TGF 017698 | EUR | 2.08% | 2033 | 13,904 | 24,033 | - | - |
| Triodos Fixed Loan Facility A - 2016 TGF 018996 | EUR | 1.50% | 2033 | 7,518 | 21,053 | - | - |
| Triodos Fixed Loan Facility B - 2016 TBNL 2205373226 | EUR | 1.50% | 2033 | 7,518 | 20,561 | - | - |
| Triodos Fixed Loan Facility Brabant Zon - 2015 TGF 020028 | EUR | 2.08% | 2033 | 3,498 | 8,925 | - | - |
| Nebras Power QPSC | USD | 1.10% | 2025 | 370,000 | 1,341,357 | - | - |
| Nebras Power QPSC | USD | 0.75% | 2024 | 150,000 | 546,225 | - | - |
| Nebras Power Australia | AUD | 1.00% | 2024 | 375,000 | 930,346 | - | - |
| Scythia Solar 1 | EUR | 6.65% | 2024 | 2,915 | 7,566 | - | - |

22. Loans and borrowings (continued)

Loans and borrowings (secured) (continued)

Terms and repayment schedule

| | Currency | Nominal interest rate | Year of maturity | 2022 | | 2021 | |
|-----------------------|----------|-----------------------|------------------|------------|-------------------|------------|------------------|
| | | | | Face value | Carrying amount | Face value | Carrying amount |
| Scythia Solar 2 | EUR | 8.00% | 2025 | 10,521 | 28,164 | - | - |
| Terslav | EUR | 8.00% | 2025 | 7,467 | 27,378 | - | - |
| Sun Power Pervomaisk | EUR | 6.54% | 2024 | 1,782 | 5,496 | - | - |
| Free-Energy Henichesk | EUR | 4.22% | 2024 | 3,521 | 9,378 | - | - |
| Unamortised Cost | | | | | (43,991) | - | (47,380) |
| | | | | | 11,074,816 | | 5,680,230 |

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

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

| | 2022 | 2021 |
|---------------------|-------------------|------------------|
| Non-current portion | 6,920,761 | 3,582,956 |
| Current portion | 4,154,055 | 2,097,274 |
| | 11,074,816 | 5,680,230 |

23. Employees' end of service benefits

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| At 1 January | 76,094 | 80,863 |
| Acquired through business combination | 6,183 | - |
| Provision made during the year (1) | 12,637 | 6,829 |
| Payments made during the year | (7,286) | (11,598) |
| At 31 December | 87,628 | 76,094 |

(1) The provision made for the year is included within staff costs in profit or loss (Note 27).

Management has classified the obligation within non-current liabilities in the consolidated statement of financial position as it does not expect that there will be significant payments towards its employees' end of service benefits obligation within 12 months from the reporting date. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

24. Trade and other payables

| | 2022 | 2021 |
|---|----------------|----------------|
| Trade payables | 150,934 | 108,862 |
| Accrued expenses (i) | 359,094 | 161,505 |
| Dividend payable to shareholders | 50,222 | 46,682 |
| Provision for social and sports support fund | 37,408 | 30,429 |
| Provision for staff costs | 90 | 14,640 |
| Provision for claim received from KAHRAMAA (ii) | 139,482 | 139,482 |
| Other payables | 194,867 | 186,244 |
| | 932,097 | 687,844 |

Notes:

(i) This includes amount due to related parties are disclosed in Note 36.

(ii) In December 2020, the Group provided for claim received from KAHRAMAA of QAR 139.5 million related to capacity charges paid by KAHRAMAA to the Group, in excess of the plant's technical limit.

25. Revenue

(a) Revenue streams

The Group generates revenue primarily from the production and sale of water and electricity as per the power and water purchase agreements with the off takers in and outside the state of Qatar.

| | 2022 | 2021 |
|--------------------------|-------------------------|-------------------------|
| Revenue from electricity | 1,336,778 | 1,115,945 |
| Revenue from water | 1,308,905 | 1,265,015 |
| Total revenue | <u>2,645,683</u> | <u>2,380,960</u> |

Operating lease revenue – capacity charges

| | 2022 | 2021 |
|-------------|-------------------------|-------------------------|
| Electricity | 678,898 | 665,160 |
| Water | 1,041,774 | 1,012,148 |
| | <u>1,720,672</u> | <u>1,677,308</u> |

Revenue from contracts with customers

| | 2022 | 2021 |
|---------------------|-----------------------|-----------------------|
| Sale of electricity | 657,880 | 450,785 |
| Sale of water | 267,131 | 252,867 |
| | <u>925,011</u> | <u>703,652</u> |

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products, and timing of revenue recognition.

| | 2022 | 2021 |
|-------------------------------------|-----------------------|-----------------------|
| Primary geographical markets | | |
| Qatar | 841,411 | 703,652 |
| Latin America | 62,120 | - |
| Europe | 21,480 | - |
| | <u>925,011</u> | <u>703,652</u> |

| | 2022 | 2021 |
|--------------------------------------|-----------------------|-----------------------|
| Timing of revenue recognition | | |
| Point in time (i) | 862,125 | 651,439 |
| Over time (ii) | 62,886 | 52,213 |
| | <u>925,011</u> | <u>703,652</u> |

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

(ii) Revenue recognized over the period includes revenue from operations and maintenance which 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.

26. Cost of sales

| | 2022 | 2021 |
|--|-------------------------|------------------|
| Cost of gas consumed | 972,872 | 841,711 |
| Depreciation of property, plant and equipment (Note 5) | 281,677 | 273,920 |
| Staff costs | 173,475 | 168,047 |
| Spare parts, chemicals and consumables | 73,035 | 70,395 |
| Others | 168,059 | 154,906 |
| | <u>1,669,118</u> | <u>1,508,979</u> |

27. General and administrative expenses

| | 2022 | 2021 |
|--|-----------------------|----------------|
| Staff costs (1) | 113,637 | 81,696 |
| Impairment of property, plant and equipment (Note 5) | 83,094 | - |
| Insurance | 13,978 | 9,527 |
| Board of Directors' remuneration | 11,750 | 11,750 |
| Provision for slow moving inventories (Note 12) | 10,975 | 5,215 |
| Telephone postage and couriers | 10,579 | 1,380 |
| Depreciation of right-of-use assets (Note 6(a)) | 8,409 | 4,191 |
| Consultancy and professional fees | 7,925 | 3,984 |
| Amortization of intangible assets (Note 7) | 5,970 | 5,970 |
| Depreciation of property, plant and equipment (Note 5 (d)) | 5,490 | 1,712 |
| Repairs and maintenance | 3,536 | 1,202 |
| Recruitment and training expenses | 3,257 | 3,685 |
| Office expenses | 2,657 | 618 |
| Amortization of other assets (Note 10) | 1,765 | 1,684 |
| Board committee remuneration | 1,030 | 1,030 |
| Donations | 1,340 | 1,000 |
| Rent expense - short term lease | 1,256 | - |
| Subscription and licenses | 885 | 789 |
| Advertisement and public relation expenses | 297 | 252 |
| Miscellaneous expenses | 9,974 | 12,514 |
| | <u>297,804</u> | <u>148,199</u> |

(1) Staff costs includes a provision of QAR 6.8 million (2021: QAR 1.3 million) in respect of employees' end of service benefits (Note 23).

28. Interest income

| | 2022 | 2021 |
|---|-----------------------|---------------|
| Interest earned on term and other call deposits | 174,052 | 67,896 |
| Interest income from related parties | 2,645 | 4,465 |
| | <u>176,697</u> | <u>72,361</u> |

29. Other income

| | 2022 | 2021 |
|---|-----------------------|----------------|
| Dividend income from equity investments at fair value through other comprehensive income (Note 9) | 160,909 | 81,411 |
| Secondment income | 32,717 | 25,004 |
| Miscellaneous income | 74,001 | 39,602 |
| | <u>267,627</u> | <u>146,017</u> |

30. Finance costs

| | 2022 | 2021 |
|---|-----------------------|----------------|
| Interest on bank loans | 273,362 | 113,389 |
| Interest on lease liabilities (Note 6(b)) | 2,199 | 1,376 |
| Bank charges | 11,972 | 975 |
| | <u>287,533</u> | <u>115,740</u> |

31. Earnings per share

Basic earnings per share

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

| | 2022 | 2021 |
|---|--------------------|------------------|
| Profit for the year attributable to owners of the Company | 1,710,809 | 1,467,865 |
| Weighted average number of ordinary and outstanding shares 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>1.56</u> | <u>1.33</u> |

Diluted earnings per share

For the parent Company, it has no potential dilutive shares, the diluted EPS equals to the basic EPS. The diluted earnings per share (hereafter "EPS") is calculated by dividing the profit for the year attributable to the ordinary shareholders of the Company by the weighted-average number of shares outstanding during the year after adjustment for the effects of all / any dilutive potential ordinary shares. As the Company had no dilutive potential ordinary shares during the current year and the comparative year, the Diluted EPS is the same as the Basic EPS for both these years.

32. Dividends

During the year, the Company declared and paid a cash dividend of QAR 0.80 per share totalling to QAR 880 million (2021: QAR 0.63 per share totalling to QAR 693 million). The proposed dividend amounting to QAR 1,045 million (QAR 0.95 per share) for the year ended 31 December 2022 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 2022.

33. Contribution to social and sports fund

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation of QAR 37.6 million for the year ended 31 December 2022 (2021: QAR 30.4 million) to the Social and Sports Fund of Qatar.

34. Commitments and contingent liabilities

| | 2022 | 2021 |
|---|-------------------------|------------------|
| (a) Contingent liabilities: | | |
| Corporate guarantees issued on behalf of joint ventures | 568,287 | 450,244 |
| Letter of credits | 91,150 | 95,562 |
| | <u>659,437</u> | <u>545,806</u> |
| (b) Other commitments: | | |
| <i>Derivative financial instruments:</i> | | |
| Interest rate swaps (notional amount) | 1,092,348 | 1,146,260 |
| | <u>1,092,348</u> | <u>1,146,260</u> |

35. 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.

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

| | Nature of the transactions | 2022 | 2021 |
|---------------------------------------|----------------------------|-----------|-----------|
| Shareholder: | | | |
| QatarEnergy | Sale of desalinated water | 7,659 | 9,581 |
| | Cost of gas consumed | 972,872 | 841,711 |
| KAHRAMAA | Sale of electricity | 1,336,778 | 1,115,945 |
| | Sale of desalinated water | 1,301,245 | 1,255,434 |
| | Lease income from plant | 75,730 | 93,554 |
| <i>Equity-accounted investees:</i> | | | |
| Umm Al Houli Power Q.P.S.C. | Secondment Income | 6,557 | 5,529 |
| Qatar Power Q.J.P.S.C. | Secondment Income | 5,211 | 4,480 |
| Ras Girtas Power Company Q.P.S.C. | Secondment Income | 7,651 | 3,522 |
| Mesaieed Power Company Q.P.S.C. | Secondment Income | 2,187 | 2,187 |
| Siraj Energy Q.P.S.C. | Secondment Income | 4,182 | 2,952 |
| Nebras Power Q.S.C. | Secondment Income | - | 6,334 |
| AM Solar B.V. /Jordan PSC | Interest income | 1,229 | - |
| Enersok FE LLC (Uzbekistan) | Interest income | 126 | - |
| Zonnerpark Mosselbank Terneuzen | Fee Income | 95 | - |
| Minejesa Capital B.V. | Fee Income | 82 | - |
| PT Paiton Energy | Fee Income | 26 | - |
| IPM Asia Pte. Ltd. | Fee Income | 20 | - |
| Nebras-IPC Power Developments Limited | Fee Income | 18 | - |
| AES Baltic Holdings B.V. | Fee Income | 7 | - |
| <i>Other related parties:</i> | | | |
| Amin Renewable Energy Company SAOC | O&M Agreement | 35 | - |

b) Loans receivable from a related party

The movements of loans receivable from related parties were as follows:

| | 2022 | 2021 |
|---------------------------------------|---------------|----------|
| At 1 January | - | - |
| Acquired through business combination | 21,926 | - |
| Additional loans during the year | 38,776 | - |
| At 31 December | 60,702 | - |

The loans were provided to AES Jordan Solar. The loan carries an interest at 6% per annum and matures in December 2039.

35. Related party disclosures (continued)**c) Receivables from related parties**

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| <i>Shareholder</i> | | |
| KAHRAMAA | 558,835 | 428,750 |
| QatarEnergy | 933 | 19,036 |
| <i>Equity-accounted investees:</i> | | |
| Siraj Energy Q.P.S.C. | 538 | 5,920 |
| Nebras Power Q.P.S.C. | - | 4,145 |
| Umm Al Houl Power Q.P.S.C. | 4,726 | 4,918 |
| Qatar Power Q.P.J.S.C. | 1,818 | 1,176 |
| Ras Girtas Power Company Q.P.S.C. | 2,183 | 58,674 |
| Mesaieed Power Company Limited Q.P.S.C. | 1,082 | 1,197 |
| AES Jordan Solar B.V. | 28 | - |
| AES Baltic Holdings B.V. | 18 | - |
| IPM Asia Pty Ltd | 19 | - |
| Nebras-IPC Power Development Ltd | 61 | - |
| Zonnepark Mosselbanken Terneuzen B.V. | 115 | - |
| <i>Other related parties:</i> | | |
| Others | 6 | - |
| | <u>570,362</u> | <u>523,816</u> |

The above balances have arisen in normal course of business, and are of trading and financing nature, bear no interest or securities and are receivable on demand, hence classified as current. The above balances are included under trade and other receivables (Note 13).

d) Payables to related parties

| | 2022 | 2021 |
|--------------------|-----------------------|-----------------------|
| <i>Shareholder</i> | | |
| KAHRAMAA | 2,179 | 145,143 |
| QatarEnergy | 150,575 | 130,263 |
| <i>Affiliates:</i> | | |
| Others | 56 | - |
| | <u>152,810</u> | <u>275,406</u> |

The above balances have arisen in normal course of business, and are of trading and financing nature, bear no interest or securities and are payable on demand, hence classified as current. The above balances are included under trade and other payables (Note 24).

e) Compensation of key management personnel

The remuneration the members of the Board of Directors and other members of key management were as follows:

| | 2022 | 2021 |
|------------------------------|----------------------|----------------------|
| Short term employee benefits | 29,429 | 17,038 |
| Long term employee benefits | - | - |
| | <u>29,429</u> | <u>17,038</u> |

36. Group's investment in Ukraine

The Group has investment in solar power plants located in Ukraine, through its wholly owned subsidiary Nebras Power Q.P.S.C. (Nebras). Nebras currently operates five solar power plants located in the central and southern parts of the country, through its five subsidiaries with a total capacity of 91 MW.

36. Group's investment in Ukraine (continued)

On 24 February 2022, geo-political crisis started in Ukraine, which has led to economic turmoil and has adversely impacted the Group's operations in Ukraine.

All the solar power plants owned and operated by Nebras are currently operational, however, power demand is down, and production is being curtailed by the grid operator on an ad hoc basis. On 28 March 2022 the Ministry of Energy of Ukraine issued an order to reduce the amounts paid to the renewable power producers to 15% of the agreed tariff to cover for operating expenses for the duration of the martial law. On 29 June 2022 the Ministry of Energy issued a new order which increased the payment level from a minimum of 15% to a maximum of 18% after 2 July 2022. The payments have increased over the period and currently the Group is able to recover up to 80% of the invoices. The Group intends to keep the plants in operation as long as it is possible.

Considering the current situation and economic uncertainty, the goodwill recognised on acquisition of Ukraine subsidiaries amounting to QAR 76.7 million and its investment in solar power plants (property, plant and equipment) to the extent of QAR 105.3 million were impaired during the year. The impairments were recognized during the first half of the year and therefore, forms part of the share of results from Nebras Power Q.P.S.C.

Management performed impairment testing as at the reporting date and no further impairment was recognised as the recoverable value of CGUs were determined to be higher than the carrying values. The Group will continue to monitor its investment in Ukraine and will also explore alternative options to counter any further losses. The recoverable amount was determined based on value in use calculation which uses discounted cash flow projections based on the future revenues expected to be generated as per Power Purchase Agreement with the off-taker. The present value of future cashflows were discounted using a weighted average cost of capital (WACC) ranging from 29.2% to 30.2% based on the different CGUs. The results of the sensitivity tests show that no reasonably possible change in key assumptions brought the recoverable value of these CGUs below their net carrying amounts.

37. Financial risk and capital management

a) 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.

37. Financial risk and capital management (continued)

b) Financial risk management (continued)

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 is exposed to currency risk to the extent that there is mismatch between the currencies in which revenue, related costs and borrowings are denominated and the respective functional currencies of the Group entities. The functional currencies of the Group entities are primarily those that are mentioned in Note 2(c). The Group does not use forward exchange contracts to hedge its currency risk. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group – primarily the USD. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied.

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.

Interest rate risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from interest bearing bank loans and borrowings issued at variable rates, which expose it cash flow interest rate risk.

The Group has entered into a floating to fixed interest rate swap ("IRS") for the 50% of the notional amount of its syndicated long-term revolving credit facility ("RCF") to mitigate its exposure to interest rate risk. Under the IRS terms, the Group pays fixed rate to the hedge counterparties and receive floating rate LIBOR / SOFR from hedge counterparties for settlement of its floating rate interest liability under the RCF. IRS has been executed with highly rated financial institutions as hedge counterparties in order to segregate the counterparty risk. The Group's approach is to opportunistically hedge its interest rate risks to (i) manage the impact of these risks on the cash flows and profit and loss of the Company and (ii) ensure compliance with the Company's financial covenants whilst optimizing finance costs.

Managing interest rate benchmark reform and associated risks

Overview

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 exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2022 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). Amendments to financial instruments with contractual terms indexed to US dollar LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration (IBA), the FCA-regulated and authorized administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023. As at 31 December 2022, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. The Group is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates. Management monitors and manages the Group's transition to alternative rates and evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counter parties.

37. Financial risk and capital management (continued)**a) Financial risk management (continued)****Market risk (continued)****Total amounts of unreformed contracts, including those with an appropriate fallback clause**

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. 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 following table shows the total amounts of unreformed contracts and those with appropriate fallback language at 1 January 2022 and at 31 December 2022. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their market value. At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments were:

31 December 2022*Financial liabilities*

Loans and borrowings (carrying amount)

Derivatives

Interest rate swaps (market value)

| USD LIBOR | |
|--------------------------------------|---|
| Total amount of unreformed contracts | Amount with appropriate fallback clause |
| 7,607,692 | 3,467,124 |
| 78,954 | - |

31 December 2021*Financial liabilities*

Loans and borrowings (carrying amount)

Derivatives

Interest rate swaps (market value)

| USD LIBOR | |
|--------------------------------------|---|
| Total amount of unreformed contracts | Amount with appropriate fallback clause |
| 5,180,860 | 546,750 |
| (32,252) | - |

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to LIBOR using available quoted markets rates for LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in USD LIBOR on a similar basis.

Sensitivity

The following table shows the sensitivity of the consolidated income statement to possible changes in interest rate by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates for one year, on the floating rate borrowing held at 31 December.

37. Financial risk and capital management (continued)**a) Financial risk management (continued)****Market risk (continued)***Interest rate risk (continued)***Sensitivity (continued)**

| | Change in basis points | Effect on OCI | Effect on profit |
|---------------------------------------|---------------------------|------------------|---------------------|
| 2022 | | | |
| Floating interest rate instruments | | | |
| Interest bearing loans and borrowings | +25 bps | - | (27,797) |
| | -25 bps | - | 27,797 |
| Interest rate swaps | +25 bps | 197 | - |
| | -25 bps | (197) | - |
| 2021 | | | |
| Floating interest rate instruments | | | |
| Interest bearing loans and borrowings | +25 bps | - | (14,319) |
| | -25 bps | - | 14,319 |
| Interest rate swaps | +25 bps | 2,880 | - |
| | -25 bps | (2,880) | - |

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.

| | Change in equity price | Effect on equity 2022 | Effect on equity 2021 |
|---------------|---------------------------|-----------------------------|-----------------------------|
| Quoted shares | + / (-) 10% | + / (-) 231,859 | + / (-) 316,494 |

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables, payables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are disclosed in Note 3(c). The currencies in which these transactions are primarily denominated are Euro, USD and Brazilian Real.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group are as follows:

37. Financial risk and capital management (continued)

a) Financial risk management (continued)

Market risk (continued)

Currency risk (continued)

| At 31 December 2022 | EURO | Brazilian Real | Ukrainian Hryvnia | Australian Dollar |
|---|------------------|-----------------------|--------------------------|--------------------------|
| Trade and other receivables | 13,721 | 5,571 | 26,899 | - |
| Bank balances and cash | 25,316 | 86,573 | 20,498 | 111,868 |
| Loans and borrowings | (154,085) | (690,622) | - | (930,346) |
| Trade and other payables | (15,754) | (20,520) | (16,140) | (36,273) |
| Statement of financial position exposure - net | (130,802) | (618,998) | 31,257 | (854,751) |

The following significant exchange rates have been applied during the current year:

| | Average rate 2022 | 2021 | Year-end spot rate 2022 | 2021 |
|---------|------------------------------|-------------|------------------------------------|-------------|
| EUR | 3.834 | 4.338 | 3.898 | 4.177 |
| BRL | 0.705 | 0.675 | 0.689 | 0.654 |
| Hryvnia | 0.11 | 0.13 | 0.10 | 0.13 |
| AUD | 2.525 | 2.740 | 2.481 | 2.650 |

Sensitivity analysis

A reasonably possibly strengthening (weakening) of the currencies against the others at the year-end would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profits or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| At 31 December 2022 | Profit or loss | | Equity, net of tax | |
|----------------------------|-----------------------|------------------|---------------------------|------------------|
| | strengthening | weakening | strengthening | weakening |
| EUR (10% movement) | (13,080) | 13,080 | (13,080) | 13,080 |
| BRL (10% movement) | (61,900) | 61,900 | (61,900) | 61,900 |
| Hryvnia (10% movement) | 3,126 | (3,126) | 3,126 | (3,126) |
| AUD (10% movement) | (85,475) | 85,475 | (85,475) | 85,475 |

The Group did not have significant exposure to currency risk during the previous year, as its majority of receivables and payables balances were held in QAR and USD.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from its customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are as follows:

37. Financial risk and capital management (continued)**a) Financial risk management (continued)****Credit risk (continued)**

| | 2022 | 2021 |
|---------------------------------------|-------------------|------------------|
| Trade receivables | 633,855 | 434,097 |
| Bank balances | 8,116,896 | 3,627,038 |
| Finance lease receivables | 798,419 | 823,306 |
| Dividend receivable | - | 57,409 |
| Loans receivable from related parties | 60,702 | - |
| Accrued interest receivable | 58,591 | 21,618 |
| Asset held for sale | 236,327 | 255,535 |
| Derivative assets | 78,954 | - |
| Other receivables | 37,726 | 35,514 |
| | 10,021,470 | 5,254,517 |

The significant changes in gross carrying amount of its financial assets are on account of acquisition of new subsidiary, Nebras Power Q.P.S.C. which was acquired on 01 July 2022.

Trade receivables

The Group has Power and Water Purchase Agreements (PWPA) with government companies, and non-government companies (private corporate customers) to whom the electricity is sold in the open market.

At 31 December 2022, the exposure to credit risk for trade receivables by type of counterparty was as follows:

| | 2022 | | 2021 | |
|------------------------------|-------------------------|--------------------|-------------------------|-----------------|
| | Not credit- impaired | Credit impaired | Not credit- impaired | Credit impaired |
| Government companies (1) | 589,574 | - | 434,097 | - |
| Non-government companies (2) | 44,281 | - | - | - |
| Gross carrying amount | 633,855 | - | 434,097 | - |
| Loss allowance | - | - | - | - |
| Net carrying amount | 633,855 | - | 434,097 | - |

At 31 December 2022, the carrying amount of the trade receivables from the Group's most significant customer (KAHRAMAA, a Qatar based government company) was QAR 499.5 million (2021: QAR 398.4 million).

(1) Expected credit loss assessment for government companies

The Group performs expected credit loss assessment at each reporting date using an allowance matrix to measure its expected credit losses. 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. The Group's trade receivables from government companies arise mainly from KAHRAMAA (see note above) and, consequently, the Group has credit concentration risk. Management believes that the credit concentration is not of significant concern, because KAHRAMAA is a government-controlled entity with high financial credibility and has never defaulted in the past. Furthermore, the credit risk of KAHRAMAA is negligible as it is backed by unconditional guarantee from the State of Qatar. As a result, the expected credit loss is determined to be insignificant from KAHRAMAA.

On the remaining trade receivable balances from other government and non-government companies outside Qatar, the Group has determined that these customers have been transacting with the Group for over two years, and none of these government or non-government customers' balances have been written off or are credit-impaired at the reporting date, hence, the expected credit loss on these receivables is insignificant as of the reporting date.

37. Financial risk and capital management (continued)**a) Financial risk management (continued)*****Credit risk (continued)***

The Group is monitoring the economic environment in Ukraine and is taking appropriate actions to limit its exposure. The collections from government of Ukraine have increased from 15% to 80% of the invoice amounts over the last few months under the martial law, and the remaining receivable balances have been postponed to the later date. Therefore, management has assessed that the expected credit loss on these receivables is not significant as of the reporting date.

(2) Expected credit loss assessment for non-government companies

The Group uses an allowance matrix to measure the expected credit losses from its non-government companies, which comprise of private corporate companies operating in a regulated market. Loss rates are based on actual credit loss experience over the past two to three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The Group has determined that since these private corporate companies operate in a regulated market, there has been no history of default in the past. Further, the Group has determined that none of its non-government customers' balances have been written off or are credit impaired as at the reporting date. Therefore, the expected credit loss on these receivables from non-government companies is considered to be insignificant.

The Group doesn't require collateral in respect of its trade receivables from government and non-government companies.

At 31 December 2022, the exposure to credit risk for trade receivables by geographic region was as follows:

| | 2022 | 2021 |
|-------------|----------------|----------------|
| Qatar | 533,148 | 434,097 |
| Brazil | 20,302 | - |
| Netherlands | 53,872 | - |
| Ukraine | 26,533 | - |
| | <u>633,855</u> | <u>434,097</u> |

Set out below is the information about the credit risk exposure on the Group's trade receivables using an allowance matrix:

| | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|----------------------------|----------------------------------|--------------------------|----------------|-----------------|
| 31 December 2022 | | | | |
| Current (not past due) | 0.0% | 394,567 | - | - |
| 1-30 days past due | 0.0% | 211,832 | - | - |
| 31-60 days past due | 0.0% | 704 | - | - |
| 61-90 days past due | 0.0% | 274 | - | - |
| More than 90 days past due | 0.0% | 26,478 | - | - |
| | | <u>633,855</u> | - | - |
| | | | | |
| 31 December 2021 | | | | |
| Current (not past due) | 0.0% | 322,587 | - | - |
| 1-30 days past due | 0.0% | 111,510 | - | - |
| 31-60 days past due | 0.0% | - | - | - |
| 61-90 days past due | 0.0% | - | - | - |
| More than 90 days past due | 0.0% | - | - | - |
| | | <u>434,097</u> | - | - |

37. Financial risk and capital management (continued)

b) Financial risk management (continued)

Credit risk (continued)

Cash at bank and term deposits

The Group held cash and bank balances of QAR 8,116,971 thousand at 31 December 2022 (2021: QAR 3,627,113 thousand). Management considers that its cash at bank and term deposits have low credit risk based on external credit ratings of the counterparties, which are rated AA- to AA+, based on moody's ratings. Impairment on cash at bank and term deposits have been measured on a 12-month expected loss basis and reflects the short-term maturities of the exposures.

As at the reporting date, none of the bank balances were credit impaired. On the non-credit impaired balance, based on the expected credit loss (ECL) exercise performed by the management, the ECL was determined to be immaterial, therefore, no ECL on the cash and cash equivalents was recognised in these consolidated financial statements.

Receivables from related parties, loans receivable, finance lease receivable and other receivables

Management has performed detailed analysis on receivables from related parties, including loans receivable, finance lease receivable and other receivables and has determined the ECL to be insignificant, hence, no ECL is recognized on these balances as of the reporting date.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated AA- to AA+, based on moody's ratings.

Guarantees

The Group's policy is to provide financial guarantees only for its affiliates' liabilities. At 31 December 2022 and 2021, the Company and one of its subsidiaries has issued guarantees to certain financial institutions in respect of credit facilities granted to its affiliate companies. Please also refer note 34.

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.

The table below summarizes the contractual discounted maturities of the Group's financial liabilities at the reporting date.

37. Financial risk and capital management (continued)

a) Financial risk management (continued)

Liquidity risk (continued)

| | Note | Carrying amounts | Less than 1 year | 1 – 5 years | More than 5 years |
|---|------|-------------------|------------------|------------------|-------------------|
| 31 December 2022 | | | | | |
| Trade payables | | 150,934 | 150,934 | - | - |
| Accrued expenses | | 359,094 | 359,094 | - | - |
| Other liabilities | | 282,587 | 282,587 | - | - |
| Lease liabilities | | 61,834 | 6,609 | 55,225 | - |
| Interest bearing loans and borrowings (1) | | 11,118,807 | 4,198,046 | 2,990,696 | 3,930,065 |
| Derivative liabilities | | - | - | - | - |
| | | 11,973,256 | 4,997,270 | 3,045,921 | 3,930,065 |
| | Note | Carrying amounts | Less than 1 year | 1 – 5 years | More than 5 years |
| 31 December 2021 | | | | | |
| 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 liabilities | | 32,252 | 29,700 | 2,552 | - |
| | | 6,473,809 | 2,817,855 | 491,148 | 3,164,806 |

(1) The Group has secured project finance loans that contain covenants. A future breach of covenants may require the Group to repay the loan earlier than indicated in the above table. The Group has developed a strong debt compliance framework to actively control and manage this risk.

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 2022.

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 owners of the Company.

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Total interest-bearing loans and borrowings | 11,118,807 | 5,727,610 |
| Cash and bank balances | (8,116,971) | (3,627,113) |
| Net debt | 3,001,836 | 2,100,497 |
| Equity attributable to owners of the Company | 15,123,760 | 11,810,835 |
| Total equity and net debt | 18,125,596 | 13,911,332 |
| Gearing ratio | 17% | 15% |

38. Fair values of assets and liabilities

Financial instruments represent any contractual agreement that creates a financial asset, financial liability or an equity instrument. The Group's principal financial liabilities comprise interest bearing loans and borrowings, bank overdrafts, accounts payable, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets comprise bank balances and cash, trade receivable, investments through OCI, amounts due from related parties and certain other receivables that arise directly from its operation.

Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

When measuring the fair value of an asset or a liability, the Group uses observable market 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 prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 31 December 2022, the Group held the following classes of financial instruments measured at fair value:

| Derivative and non-derivative financial assets / (financial liabilities) | Classification | As at 31 December 2022 | | Fair value Hierarchy |
|---|----------------------------------|------------------------|--------------|-------------------------|
| | | Carrying value | Fair value | |
| | | QR'000 | QR'000 | |
| Cash and bank balances* | Amortised cost | 8,116,971 | - | - |
| Accounts and other receivables* | Amortised cost | 778,536 | - | - |
| Financial assets at fair value through other comprehensive income | FVOCI | 2,322,763 | 2,322,763 | Level 1 |
| Loans receivable from a related party | Amortised cost | 60,702 | - | - |
| Derivative assets | FVOCI | 78,954 | 78,954 | Level 2 |
| Assets held-for-sale | Fair value less costs to sell | 236,327 | 236,327 | Level 2 |
| Disposal group held-for-distribution | Fair value less costs to sell | 128,478 | 128,478 | Level 3 |
| Liabilities held-for-distribution | Other financial liabilities | (106,594) | (106,594) | Level 3 |
| Interest bearing loans and borrowings | Other financial liabilities | (11,074,816) | (11,074,816) | Level 2 |
| Lease liabilities* | Other financial liabilities | (61,834) | - | - |
| Accounts payable and accruals* (excluding derivative financial liabilities) | Other financial liabilities | (932,097) | - | - |

38. Fair values of assets and liabilities (continued)

| Derivative and non-derivative financial assets / (financial liabilities) | Classification | As at 31 December 2021 | | Fair value Hierarchy |
|---|----------------------------------|------------------------|-------------|-------------------------|
| | | Carrying value | Fair value | |
| | | QR'000 | QR'000 | |
| Cash and bank balances* | Amortised cost | 3,627,113 | - | - |
| Accounts and other receivables* | Amortised cost | 566,040 | - | - |
| Financial assets at fair value through other comprehensive income | FVOCI | 3,164,944 | 3,164,944 | Level 1 |
| Assets held-for-sale | Fair value less costs to sell | 255,535 | 255,535 | Level 2 |
| Interest bearing loans and borrowings | Other financial liabilities | (5,680,230) | (5,680,230) | Level 2 |
| Lease liabilities | Other financial liabilities | (26,103) | - | - |
| Accounts payable and accruals* (excluding derivative financial liabilities) | Other financial liabilities | (687,844) | - | - |
| Derivative liabilities | FVOCI | (32,252) | (32,252) | Level 2 |

*These financial assets and financial liabilities are carried at amortised cost. The fair values of these financial assets and financial liabilities are not materially different from their carrying values in the consolidated statement of financial position, as these assets and liabilities are either of short-term maturities or are re-priced frequently based on market movement in interest rates.

There is no in or out movement from Level 3 fair value measurements. The assets and liabilities classified under Level 3 category have been fair-valued based on the available information.

Fair value sensitivity analysis

The following table shows the sensitivity of fair values to 10% increase or decrease as at 31 December:

| | 2022 | 2021 |
|-------------------------------------|----------|------|
| Basis points | +/-1,000 | - |
| Effect on profit or loss (QAR '000) | +/-2,188 | - |

Offsetting financial assets and liabilities

The Group does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

39. Asset held-for-sale

- 1) 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 period, the asset having a carrying value of QR 255.5 million 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.
- 2) Further, during the year, the Group entered into share purchase agreement (SPA) with QatarEnergy, one of the related parties of the Group, to sell its 49% stake in Siraj Energy Q.P.S.C at a total consideration of US\$ 64.5 million i.e., QR 234.9 million. However, the finalization of the sale transaction is still subject to the certain regulatory and approval of the shareholders of the Company, which are considered critical before the sale transaction could be completed. Hence, as at the reporting date this investment has been classified as asset held-for-sale in accordance with IFRS 5.

40. Disposal group held-for-distribution

During the year, when the Group acquired Nebras Power Q.P.S.C. (Note 41), the assets acquired included a subsidiary, (Carthage Power Company or CPC) which is classified as a disposal group held-for-distribution as management in the previous year, made an assessment of CPC's ability to continue as a going concern as its concession agreement was coming to an end in May 2022. Hence, in accordance with the requirements of IFRS 5 'Non-current assets held-for-sale and discontinued operations', the results, assets and liabilities of the subsidiary are presented as a disposal group 'held-for-distribution'.

The Group holds 60% shares in the said subsidiary. Information regarding the assets and liabilities of the subsidiary is presented below

i) Assets and liabilities of disposal group held-for-distribution

| | 2022 |
|--|----------------|
| Property, plant and equipment | 14 |
| Deferred tax asset | 1,570 |
| Derivative financial instruments | 350 |
| Inventories | 1,335 |
| Trade and other receivables | 113,992 |
| Cash and cash equivalents | 11,217 |
| Assets held-for-distribution | 128,478 |
| Trade and other payables | 71,204 |
| Payables to related parties | 35,390 |
| Liabilities held-for-distribution | 106,594 |

ii) Cash flows from discontinued operations

| | 2022 |
|--|---------------|
| Cash generated from operating activities | (26,774) |
| Cash generated from investing activities | 4,931 |
| Cash used in financing activities | - |
| Net change in cash and cash equivalents | (21,843) |
| Cash and cash equivalents at the beginning of the year | 46,107 |
| Effect of movements in exchange rates on cash held | (13,047) |
| Cash and cash equivalents at the end of the year | 11,217 |

The profit from the discontinued operation of QAR 3.2 million is attributable entirely to the owners of the Company.

41. Acquisition of a subsidiary

In July 2022, the Group acquired additional 40% of the shares and voting interests in Nebras Power Q.P.S.C. ("Nebras"). As a result, the Group's equity interest in Nebras increased from 60% to 100%, granting it absolute control of Nebras. All the necessary approvals related to additional acquisition were obtained on 19 July 2022 and the purchase consideration was transferred on the same date, however, the Group has consolidated Nebras from 01 July 2022, which is determined to be the closest date to the last reporting period where more accurate information was available.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Nebras are inputs (a head office, power production facilities with long-term power purchase agreements, projects under development, and inventories), production processes and organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of Nebras will enable the Group to expand its renewable energy interests outside Qatar and obtain significant influence and joint control over several power production facilities across multiple geographies.

41. Acquisition of a subsidiary (continued)

For the six months from 01 July 2022 until 31 December 2022, Nebras contributed revenue of QAR 83.6 million and a profit of QAR 128.3 million (including share of results) to the Group's results. If the acquisition had occurred on 01 January 2022, management estimates that its consolidated revenue would have been higher by QAR 72.4 million, and consolidated profit for the period would have been lower by QAR 70.5 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 01 January 2022.

(a) Consideration transferred

The Group transferred cash consideration of US\$ 530 million (QAR 1,931 million) to acquire additional 40% shares and the voting interests in Nebras. There are no other classes of considerations agreed or to be transferred between the parties.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of QAR 2.7 million on legal fees and due diligence costs. These costs have been included in "general and administrative expenses".

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition.

| | Note | Amount |
|---|------|-------------------------|
| Equity accounted investees* | 8 | 3,501,579 |
| Cash and cash equivalents | | 3,141,630 |
| Loans and borrowings | 22 | (2,766,858) |
| Property, plant and equipment | 5 | 1,655,122 |
| Other assets** | | 353,629 |
| Other liabilities** | | (399,508) |
| Less: Non-controlling interests | | (145,970) |
| Total net identifiable assets acquired | | <u>5,339,624</u> |

*This includes an intangible asset (Power Purchase Agreement) embedded in the fair value of one of the associates, Unique Meghnaghat Power Limited (UMPL) amounting to QR 71.9 million, which will be amortised over the period of the Power Purchase Agreement.

**Other assets and liabilities include right-of-use assets and lease liabilities, trade receivables and payables, derivative financial instruments, inventories, and others.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| Assets acquired | Valuation technique |
|---|---|
| Investments in equity-accounted investees | Equity-accounted investees are valued using income approach, where the valuation technique is based on the Discounted Cash Flow ('DCF') model. |
| Solar installations and work-in-progress | Solar installation and work-in-process assets are valued using income approach, where the valuation technique is based on the Discounted Cash Flow ('DCF') model. |
| Other assets | Given the nature and relative weight of other assets on Nebras' consolidated financial statements, carrying value is assumed to approximate to their fair values. |

41. Acquisition of a subsidiary (continued)**(d) Gain on bargain purchase**

Gain on bargain purchase arising from the acquisition has been recognised as follows:

| | Note | Amount |
|--|-------|-------------------------|
| Consideration transferred | 19(a) | 1,931,850 |
| Fair value of pre-existing interest in Nebras | | 3,203,774 |
| Fair value of net identifiable assets acquired | 41(a) | <u>(5,339,624)</u> |
| Gain on bargain purchase | | <u>(204,000)</u> |

The Group recognised a gain on bargain purchase as the purchase consideration transferred was agreed between the Group and the seller at the end of 2020, and was not amended subsequently, as it was the fixed consideration as per the Sales and Purchase Agreement (SPA), however, the fair value of the net identifiable assets increased post signing of SPA until the date of acquisition, on account of additional investments in Brazil (NEC) and in Bangladesh (Unique Meghnaghat Power Limited), which was partially offset by the increase in risk premium (WACC) in the existing investments.

The remeasurement to fair value of the Group's existing 60% interest in Nebras resulted in a profit of QAR 50.9 million (Refer note 41(e)).

(e) Gain on step-up acquisition

| | Note | Amount |
|--|-------|----------------------|
| Fair value of pre-existing interest in Nebras | 19(d) | 3,203,774 |
| Carrying value of pre-existing interest as on the date of acquisition | 7 | <u>(3,190,091)</u> |
| | | 13,683 |
| <i>Other comprehensive income / (loss) recognized to profit / loss</i> | | |
| Share of other comprehensive profit / (loss) from joint ventures – interest rate swaps used for hedging | | 49,368 |
| Share of other comprehensive profit / (loss) from joint ventures – exchange differences on translation of foreign operations | | <u>(12,103)</u> |
| Profit on step-acquisition after reclassification of other comprehensive income | | <u>50,948</u> |

42. Operating segments**a) Basis for segmentation**

Operating Segments align with internal management reporting to the Group's chief operating decision makers. The Group manages its operations in two segments, Operations in Qatar and Operations outside Qatar. These segments offer the same products (Power and Water) but they are managed separately.

| | |
|--------------------------|---|
| Operations in Qatar | Stable business environment and caters to the needs of the off-takers in the State. |
| Operations outside Qatar | Focus on the expansion of the Group's presence in the global energy markets. |

The Group's Managing director reviews the internal management reports of each division on a monthly basis.

b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit / (loss) for the period is used to measure performance because management believed that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same business.

42. Operating segments (continued)

b) Information about reportable segments

| | Operations in Qatar | Operations outside Qatar | Consolidated financial statements |
|---|------------------------|-----------------------------|--------------------------------------|
| External revenue | 2,637,813 | 83,600 | 2,721,413 |
| Inter-segment revenue | 114,482 | - | 114,482 |
| Segment revenue | 2,752,295 | 83,600 | 2,835,895 |
| Segment profit before tax | 1,644,373 | 105,191 | 1,749,564 |
| Depreciation and amortisation | (248,649) | (38,518) | (287,167) |
| Finance costs | (221,958) | (65,575) | (287,533) |
| Finance income | 119,401 | 57,296 | 176,697 |
| Share of results from equity-accounted investees | 508,330 | 161,088 | 669,418 |
| Income taxes | - | 2,339 | 2,339 |
| <i>Other material items of income and expense</i> | | | |
| Loss on disposal of asset held for sale | (86,084) | - | (86,084) |
| Impairment of property, plant and equipment | (83,094) | - | (83,094) |
| Impairment of slow moving and obsolete inventory (net of reversals) | 71,024 | - | 71,024 |
| Reversal of excess depreciation on property, plant and equipment | 39,674 | - | 39,674 |
| Dividend income | 160,909 | - | 160,909 |
| Bargain purchase gain arising on business combination | 204,000 | - | 204,000 |
| Step-up acquisition gain on deemed sale of a joint venture | 50,948 | - | 50,948 |
| Segment assets | | | |
| Property, plant and equipment | 4,508,806 | 1,575,441 | 6,084,247 |
| Investment in equity-accounted investees | 4,604,138 | 4,300,542 | 8,904,680 |
| Cash and bank | 4,800,425 | 3,316,546 | 8,116,971 |
| Other assets | 4,292,825 | 410,770 | 4,703,595 |
| | 18,206,194 | 9,603,299 | 27,809,493 |
| Segment liabilities | | | |
| Loans and borrowings | 7,412,181 | 3,662,636 | 11,074,817 |
| Other liabilities | 848,111 | 406,988 | 1,255,099 |
| | 8,260,292 | 4,069,624 | 12,329,916 |

c) Geographic information

The Group's operations in Qatar constitutes to 97% of consolidated revenue and 94% of the consolidated profits for the period, and 65% of the consolidated total assets as of the reporting period. Outside Qatar, the Group has operations through its controlled subsidiaries in Brazil, Netherlands, Australia and Ukraine, and through its associates and joint ventures in Indonesia, Jordan, Australia, Oman and other geographies.

d) Major customers

In the state of Qatar, the Group produces power and water as per the Power and Water Purchase Agreement (PWPA) with the Off takers (KAHRAMAA and QatarEnergy). Outside Qatar, the Group has similar agreements with the local government authorities, and also sale electricity in the open market to private corporate customers.

43. Comparative information

The comparative information is not comparable due to acquisition of Nebras Power Q.P.S.C. during the year, which has been accounted as an equity accounted investee until the previous year (please refer note 41). Further, certain comparative figures have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications did not affect the previously reported net profit, net assets or net equity of the Group.

44. Subsequent events

There were no material subsequent events after the reporting date, which have bearing on the understanding of these consolidated financial statements.