



الشركة السعودية للكهرباء

**Saudi Electricity Company**

*Empowering Energy*

**Saudi Electricity Company  
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITORS' LIMITED REVIEW REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

Saudi Electricity Company  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS'  
LIMITED REVIEW REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015

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## **AUDITORS' LIMITED REVIEW REPORT**

### **TO THE SHAREHOLDERS OF SAUDI ELECTRICITY COMPANY (A Saudi joint stock company)**

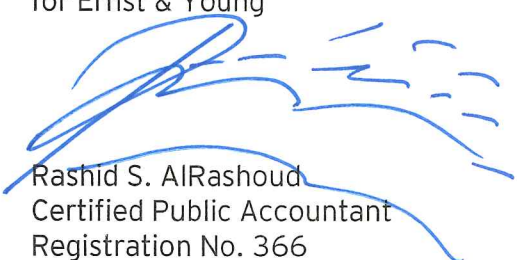
#### **Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Saudi Electricity Company - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2015 and related interim consolidated statements of income for the three months and year ended 31 December 2015 and interim consolidated statements of cash flows and changes in shareholders' equity for the year then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

#### **Conclusion**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Rashid S. AlRashoud  
Certified Public Accountant  
Registration No. 366



Riyadh: 7 Rabi Thani 1437H  
(17 January 2016)

Saudi Electricity Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2015

(In Thousands Saudi Riyals)

	Note	2015 (Unaudited)	2014 (Audited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,119,114	6,943,507
Receivables from electricity consumers and accrued revenues, net		20,545,583	15,843,675
Prepayments and other receivables, net		8,841,894	9,568,104
Inventories, net		6,499,562	6,602,409
<b>TOTAL CURRENT ASSETS</b>		<b>38,006,153</b>	<b>38,957,695</b>
<b>NON-CURRENT ASSETS</b>			
Loans to associated companies	6	875,260	2,250,125
Equity investments in companies and others		3,457,810	2,253,230
Construction work-in-progress		85,694,761	59,073,753
Fixed assets, net		229,994,941	215,373,390
<b>TOTAL NON-CURRENT ASSETS</b>		<b>320,022,772</b>	<b>278,950,498</b>
<b>TOTAL ASSETS</b>		<b>358,028,925</b>	<b>317,908,193</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		52,557,940	39,122,255
Accruals and other payables		6,877,805	5,572,658
Short-term loans & current portion of long-term loans	7	3,347,122	2,254,469
<b>TOTAL CURRENT LIABILITIES</b>		<b>62,782,867</b>	<b>46,949,382</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	7	22,266,954	17,420,128
Sukuk	8	34,940,490	34,940,490
Employees' indemnities		6,019,260	5,642,755
Deferred revenues, net		29,370,073	25,999,271
Customers' refundable deposits		1,743,429	1,649,999
Government loans	9	39,991,482	33,760,607
Long-term Government payables	10	100,445,372	91,936,039
Provision for cash flows hedging contracts	11	250,495	367,026
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>235,027,555</b>	<b>211,716,315</b>
<b>TOTAL LIABILITIES</b>		<b>297,810,422</b>	<b>258,665,697</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	41,665,938	41,665,938
Statutory reserve		2,474,846	2,474,846
General reserve	13	557,898	554,912
Retained earnings	16	16,164,447	15,205,107
Cash flows hedging contracts reserve	11	(644,626)	(658,307)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>60,218,503</b>	<b>59,242,496</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>358,028,925</b>	<b>317,908,193</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

Saudi Electricity Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(In Thousands Saudi Riyals)

	<i>Note</i>	<i>For the three-months period ended</i>		<i>For the year ended</i>	
		<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Unaudited)</i>	<i>31 December 2015</i> <i>(Unaudited)</i>	<i>31 December 2014</i> <i>(Audited)</i>
<b>Operating revenue</b>					
Electricity sales		8,006,506	7,501,752	37,591,647	34,962,184
Meter reading, maintenance and bills preparation tariff		285,116	280,346	1,118,053	1,055,029
Electricity connection tariff		531,862	476,632	2,072,710	1,851,606
Revenue of transmission system		105,382	168,815	558,805	467,477
Other operating revenue		56,324	31,341	223,567	154,374
<b>TOTAL OPERATING REVENUE</b>		<b>8,985,190</b>	<b>8,458,886</b>	<b>41,564,782</b>	<b>38,490,670</b>
<b>Cost of sales</b>					
Fuel		(1,310,807)	(1,265,710)	(5,988,870)	(6,232,252)
Purchased power		(1,836,754)	(1,720,520)	(7,364,480)	(6,430,276)
Operations and maintenance		(3,357,059)	(3,145,364)	(11,108,881)	(10,580,584)
Depreciation – Operations and maintenance		(3,825,029)	(3,582,637)	(14,547,761)	(13,219,815)
<b>TOTAL COST OF SALES</b>		<b>(10,329,649)</b>	<b>(9,714,231)</b>	<b>(39,009,992)</b>	<b>(36,462,927)</b>
<b>GROSS (LOSS) PROFIT FOR THE PERIOD / YEAR</b>		<b>(1,344,459)</b>	<b>(1,255,345)</b>	<b>2,554,790</b>	<b>2,027,743</b>
General and administrative expenses		(330,874)	(260,589)	(628,961)	(589,340)
Depreciation - General and administrative		(105,565)	(93,194)	(384,333)	(340,155)
<b>(LOSS) INCOME FROM MAIN OPERATIONS</b>		<b>(1,780,898)</b>	<b>(1,609,128)</b>	<b>1,541,496</b>	<b>1,098,248</b>
Reversal of provision for doubtful receivables	14	-	-	-	2,635,181
Non-recurring income (expenses)	15 , 18/b	201,513	(244,810)	201,513	(537,239)
Other income (expenses), net		134,837	52,139	(235,551)	410,404
<b>NET (LOSS) INCOME FOR THE PERIOD / YEAR</b>		<b>(1,444,548)</b>	<b>(1,801,799)</b>	<b>1,507,458</b>	<b>3,606,594</b>
<b>BASIC (LOSS) INCOME PER SHARE (SR):</b>					
<b>From (loss) income from main operations for the period / year</b>		<b>(0.43)</b>	<b>(0.39)</b>	<b>0.37</b>	<b>0.26</b>
<b>From net (loss) income for the period / year</b>		<b>(0.35)</b>	<b>(0.43)</b>	<b>0.36</b>	<b>0.87</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

Saudi Electricity Company  
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(In Thousands Saudi Riyals)

	2015 (Unaudited)	2014 (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	1,507,458	3,606,594
<b>Adjustments to reconcile net income for the year with net cash from operating activities:</b>		
Addition to (reversal of) Provision for doubtful receivables, net	236,359	(2,635,181)
Provision for slow-moving inventories	-	16,866
Group's share of net loss (earnings) of investees	4,490	(133,302)
Depreciation	14,932,094	13,559,970
Gain on disposal of fixed assets, net	(85,072)	(91,736)
Accrued employees' indemnities, net	376,505	460,202
<b>Changes in operating assets and liabilities:</b>		
Receivables from electricity consumers and accrued revenues	(4,938,267)	5,243,150
Prepayments and other receivables	726,210	(2,851,808)
Inventories	102,847	18,981
Accounts payable	13,435,685	10,867,366
Deferred revenues, net	3,370,802	2,032,861
Accruals and other payables	1,291,784	892,640
Net proceeds and payments of customers' refundable deposits	93,430	94,437
<b>Net cash from operating activities</b>	<b>31,054,325</b>	<b>31,081,040</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed assets and construction work-in-progress	(56,185,742)	(50,311,822)
Proceeds from sale of fixed assets	96,161	141,093
Loans to associated companies, net	126,750	(1,120,183)
Equity investments in companies and others	(63,805)	(173,451)
<b>Net cash used in investing activities</b>	<b>(56,026,636)</b>	<b>(51,464,363)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net collection from Government loans and payables	14,740,208	14,813,478
Net proceeds from short-term and long-term loans	5,939,479	2,180,666
Issuance of global Sukuk	-	9,376,000
Net payment of local Sukuk	-	(2,500,000)
Dividends paid to shareholders and Board of Directors' remuneration	(531,769)	(530,456)
<b>Net cash from financing activities</b>	<b>20,147,918</b>	<b>23,339,688</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(4,824,393)</b>	<b>2,956,365</b>
Cash and cash equivalents, beginning of the year	6,943,507	3,987,142
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>2,119,114</b>	<b>6,943,507</b>
<b>Non-cash transactions:</b>		
Transfer from loan for an associated company to equity investment	1,248,115	-
Change in cash flows hedging contracts reserve	13,681	(101,946)

The accompanying notes form an integral part of these interim consolidated financial statements.

Saudi Electricity Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(In Thousands Saudi Riyals)

	<i>Note</i>	<i>Share capital</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Cash flows hedging contracts reserve</i>	<i>Total</i>
<b>For the year ended 31 December 2014 (Audited)</b>							
Balance as at 1 January 2014		41,665,938	2,114,186	545,262	12,507,288	(556,361)	56,276,313
Net income for the year		-	-	-	3,606,594	-	3,606,594
Dividends to shareholders for 2013	16	-	-	-	(547,252)	-	(547,252)
Board of Directors' remuneration for 2013	16	-	-	-	(863)	-	(863)
Net change in cash flows hedging contracts reserve	11	-	-	-	-	(101,946)	(101,946)
Reconciliation of electricity collection fee (individuals)		-	-	9,650	-	-	9,650
Transfer to statutory reserve		-	360,660	-	(360,660)	-	-
Balance as at 31 December 2014		41,665,938	2,474,846	554,912	15,205,107	(658,307)	59,242,496
<b>For the year ended 31 December 2015 (Unaudited)</b>							
Net income for the year		-	-	-	1,507,458	-	<b>1,507,458</b>
Dividends to shareholders for 2014	16	-	-	-	(547,252)	-	<b>(547,252)</b>
Board of Directors' remuneration for 2014	16	-	-	-	(866)	-	<b>(866)</b>
Net change in cash flows hedging contracts reserve	11	-	-	-	-	13,681	<b>13,681</b>
Reconciliation of electricity collection fee (individuals)		-	-	2,986	-	-	<b>2,986</b>
Balance as at 31 December 2015		<b>41,665,938</b>	<b>2,474,846</b>	<b>557,898</b>	<b>16,164,447</b>	<b>(644,626)</b>	<b>60,218,503</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

# Saudi Electricity Company (A Saudi Joint Stock Company)

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## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) FOR THE YEAR ENDED 31 DECEMBER 2015

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### 1. ORGANIZATION AND ACTIVITIES

The Saudi Electricity Company (the “Company”) was formed pursuant to the Council of Ministers’ Resolution Number 169 dated 11 Sha’ban 1419H corresponding to 29 November 1998, which reorganized the Electricity Sector in the Kingdom of Saudi Arabia by merging all local companies that provided electricity power services (10 joint stock companies that covered most of the geographical areas of the Kingdom), in addition to the projects of the General Electricity Corporation, a governmental corporation belonging to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) in the Company.

The Company was founded pursuant to the Royal Decree No. M/16 dated 6 Ramadan 1420H corresponding to 13 December 1999, in accordance with the Council of Ministers’ Resolution Number 153, dated 5 Ramadan 1420H corresponding to 12 December 1999 and the Minister of Commerce’s Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to 5 April 2000 as a Saudi joint stock company and registered in Riyadh under Commercial Registration Number 1010158683, dated 28 Muhurram 1421H corresponding to 3 May 2000.

The Company’s principal activity is the generation, transmission and distribution of electric power. The Company is the major provider of electric power all over the Kingdom of Saudi Arabia, serving governmental, industrial, agricultural, commercial and residential consumers.

The Company is a tariff-regulated company. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Electricity and Co-generation Regulatory Authority (the Authority) which was established on 13 November 2001 according to Council of Ministers’ Resolution No. 169 dated 11 Sha’aban 1419H. The change on tariff was made through the Council of Ministers’ Resolution Number 170 dated 12 Rajab 1421H and was effective from 1 Sha’aban 1421H corresponding to 28 October 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts/hour.

This was further amended by the Council of Ministers in its Decision Number 333 dated 16 Shawwal 1430H, corresponding to 5 October 2009, which granted the Board of Directors of the Electricity and Co-generation Regulatory Authority the right to review and adjust the non-residential (commercial, industrial and governmental) electricity tariff and approve them as long as the change does not exceed 26 Halala for each kilowatt per hour, taking into consideration, among other matters, the electrical consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1 July 2010.

On 17 Rabi Awal 1437H corresponding to 28 December 2015, Council of Ministers issued its resolution number 95, increasing electricity consumption tariff for all consumers, starting from 1 Rabi Thani 1437H corresponding to 11 January 2016.

According to the Company’s bylaws, the Company’s financial year begins on 1st January and ends on 31st December of each Gregorian year.



**Saudi Electricity Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**1. ORGANIZATION AND ACTIVITIES (continued)**

The subsidiary companies included in this interim consolidated financial statements are as follows:

<i>Name of Subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership % (direct &amp; indirect)</i>	<i>Principal Activity</i>
National Grid S.A. Company	Saudi Arabia	100%	Transmission of power from generation stations to distribution network and operation and maintenance of electricity transmission system.
Dawiyat Telecom Company	Saudi Arabia	100%	Establishing, leasing, managing and operating electricity and fiber optic networks to provide telecommunications services.
Electricity Sukuk Company	Saudi Arabia	100%	Provide services and support needed in relation of local bonds and Sukuk.
Saudi Electricity Global Sukuk Company	Cayman Islands	100%	Provide services and support needed in relation of international bonds and Sukuk.
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100%	Provide services and support needed in relation of international bonds and Sukuk.
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100%	Provide services and support needed in relation of international bonds and Sukuk.
Saudi Electricity for Projects Development Company	Saudi Arabia	100%	Management of construction projects, making of detailed design work, procurement of materials and executing projects in the energy sector.

**2. BASIS OF CONSOLIDATION**

These interim consolidated financial statements include the assets, liabilities and results of operations' of the Company and its subsidiaries (the "Group") set out in note (1) above. "interim consolidated financial statements"

A subsidiary company is that in which the Company has a long term investment comprising an interest of more than 50% in the voting capital or over which it exercises practical control. A subsidiary company is consolidated from the date of which the Company obtains control until the date that control ceases.

All significant inter-group balances and transactions have been eliminated upon the preparation of these interim consolidated financial statements.

Saudi Electricity Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2015

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). This standard follows the integral view of interim periods which considers every period in the financial period as an integral part of the financial year. The significant accounting policies adopted in preparation of these interim consolidated financial statements, are consistent with those described in the annual audited financial statements for the year ended 31 December 2014.

The significant accounting policies adopted are as follows:

**Accounting Convention**

The interim consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of derivative financial instruments and government loans.

**Accounting estimates**

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions at the reporting date, actual results ultimately may differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at bank, time deposits and other investments which are convertible into known amount of cash with maturities of three months or less from the date of acquisition.

**Electricity consumers receivables**

Electricity consumer receivables represent the amount not collected from the consumers at the interim consolidated balance sheet date, and are stated net of provision for doubtful receivables.

**Inventories**

Generation, transmission, distribution, other materials and fuel inventory are stated at lower of cost or market value. Cost is determined using the weighted average method, net of provision for slow moving and obsolete items.

Inventory items that are considered an integral part of the generation plants, transmission, distribution networks and other facilities such as strategic and reserve materials, are included in within fixed assets.

**Investments**

*Investments in companies' equity*

Investments in companies of which the Group hold 20% and more of interest are accounted for using the equity method, whereby the investment is initially stated at cost, adjusted thereafter by the post-acquisition change of the Group's share in the net assets of the investee company. The Group's share in the results of these companies is recognized in interim consolidated statement of income.

Investments of less than 20% of share capital of unquoted companies are stated at cost. Income from these investments is recognized in interim consolidated statement of income when dividends are received from the investee companies.

*Investments held to maturity*

Investments that are acquired with the intention of being held to maturity are carried at cost (adjusted for any premium or discount), less any other than temporary decline in value. Such investments are classified as non-current assets with the exception of bonds which mature during the next fiscal year, which are classified as current assets. Income from these investments is recognized in the interim consolidated statement of income when earned.

Saudi Electricity Company  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2015

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fixed assets**

Fixed assets are stated at historical cost and, except for land, are depreciated over their estimated operational useful lives using the straight line method. Cost includes the cost of acquisition from supplier, direct labor, indirect construction costs, and borrowing costs up to the date the asset is placed in service. Fixed assets sold or otherwise disposed off and related accumulated depreciation are removed from the accounts at the date of the sale or disposal. The resulting gain or loss is recognized in the interim consolidated statement of income.

Expenditure for repair and maintenance are charged to the interim consolidated statement of income. Betterments that materially increase the value or extend the life of the related assets are capitalized.

The estimated operational useful lives are as follows:

Buildings	20 to 30 years
Generation plant, equipment and spare parts	20 to 25 years
Transmission network, equipment and spare parts	20 to 30 years
Distribution network, equipment and spare parts	15 to 25 years
Other assets	4 to 20 years

**Impairment of non-current assets**

The Group conducts periodic review of the carrying amount of its non-current assets to determine whether there is any evidence that those non-current assets have suffered an impairment loss. If such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of that asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognized as an expense in the interim consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately in the interim consolidated statement of income.

**Capitalization of borrowing costs**

Net borrowing cost - which represents finance charges on long-term loans and any other finance costs charged to the Group net of any commission income for the period - is capitalized on all significant projects-in-progress with significant amount that require long period of time for construction. The borrowing cost capitalized on each project is calculated using the capitalization rate on the average amounts incurred on each project in progress.

**Government loan with definite payment terms**

The government loan with definite payment terms is recognized at present value using an estimated discount rate for Group's borrowing. The difference between the amount received and the present value is recorded as deferred income (government grant) and presented under the long-term government payables and recognized over the remaining period of the loan against the corresponding expenses.

Saudi Electricity Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2015

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivative financial instruments and hedge accounting**

The Group uses derivative financial instruments to hedge its exposures to interest rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Changes in the fair value of derivatives determined as effective cash flows hedges are taken directly to the equity, while the ineffective portion of cash flow hedges, is recognized in interim consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to interim consolidated statement of income.

**Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Employees' indemnity**

Provision for employees' indemnity consists of the following:

Provision for end of service benefits:

The end of service benefits are provided for in accordance with the Labor Law in the Kingdom of Saudi Arabia and is charged monthly to the interim consolidated statement of income.

Employees' saving fund:

The Group contributes in saving fund for eligible employees based on approved policy. The Group's share from contribution in the saving fund is charged monthly to the interim consolidated statement of income.

**Zakat provision**

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Adjustments arising from final Zakat assessment, if any, are recorded in the interim consolidated statement of income for the period in which such assessment is obtained.

**Statutory reserve**

In accordance with the Regulations for Companies and the Company's bylaws, 10% of net income for the year is transferred to statutory reserve. The Company's General Assembly may discontinue such transfer when the reserve equals 50% of the share capital.

**Revenue**

Revenue from electricity sales is recognized when bills are issued to consumers based on the consumption of electric power measured by Kilowatt/hour. Revenue on power consumed by consumers but not yet billed at the interim consolidated balance sheet date are accrued for.

Saudi Electricity Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2015

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue (continued)**

Revenue from meter reading, maintenance and bills preparation tariff represents the monthly fixed tariff based on the capacity of the meter used by the consumers, and is recognized when bills are issued. Revenue from meter reading, maintenance and bills preparation tariff that is not billed at the interim consolidated balance sheet date are accrued for.

Electricity service connection tariff received from consumers is deferred and recognized on a straight-line basis over the average useful lives of the equipment used in serving the consumers, estimated between (20-30) years.

Revenue of transmission system comprises of the usage fees of transmission networks, which is recognized when bills are issued to the licensed co-generation and power providers. Those bills are issued at the end of each month. Revenue is measured based on the fees approved by Electricity and Co-generation Regulatory Authority according to capacity and quantities of power transmitted

**Expenses**

Operation and maintenance expenses include expenses relating to generation, transmission, and distribution activities as well as their allocated portion of the general services and supporting activity's expenses. The remaining portion of these expenses is included under General and Administrative expenses. General services and supporting activity's expenses are allocated between the main activities based on the benefits received and is evaluated periodically.

**Operating lease**

Leases on which terms of capital lease are not applicable are classified as operating leases. Payments under operating leases are recognized as an expense in the interim consolidated statement of income on a straight line basis over the term of the lease.

**Basic earnings (losses) per share for the period**

Earnings (losses) per share is calculated using the weighted average number of outstanding shares at the end of the period, including government shares. Basic earnings (loss) per basic share from operating activities is calculated by dividing income (loss) from operations on the weighted average number of shares. Basic earnings (loss) per basic share from net income (loss) is calculated by dividing net income (loss) on weighted average of number of shares.

**Foreign currency transactions**

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Any realized or unrealized exchange gains or losses arising from such translations are recorded in the interim consolidated statement of income.

**4. PERIOD ADJUSTMENTS**

The Group's management has made all the required adjustments to the interim consolidated financial statements for them to present fairly the financial position of the Group as at the end of the interim period and the results of its operations for the period then ended.

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**5. SEASONAL FLUCTUATIONS**

The operations and revenues of the Group are affected by seasonal weather changes during the year. Revenue are materially lower during the winter months due to lower consumption of electricity whereas higher revenue are earned during summer months due to the increase in consumption of electricity as a result of the high temperature. These changes are reflected in the financial results of the Group during the year. Therefore, the results of operations for this interim period (fourth quarter of year 2015) may not be an accurate indication of the actual results for the full year.

**6. LOANS TO ASSOCIATED COMPANIES**

Loans to associated companies represents the Company's share in the subordinated loans extended to those companies according to the agreements between partners in proportion of their equity. These subordinate loans do not carry any commission.

<i>Associated Company</i>	<i>Ownership %</i>	<i>2015 SR'000</i>	<i>2014 SR'000</i>
Dhuruma Electricity Company	50	731,567	825,317
Rabigh Electricity Company	20	72,950	105,950
Jubail Water and Power Company	5	43,875	43,875
Hajr for Electricity Production Company	50	26,868	1,274,983
		<u>875,260</u>	<u>2,250,125</u>

**7. LOANS AND BANK FACILITIES**

Short-term loans

On 16 December 2015, the Company signed a credit facility agreement in form of Saudi Riyals Islamic Murabaha with National Commercial Bank (NCB) and SAMBA Financial Group. The amount of the facility is SR 2.5 billion and for three years. The utilized balance of this facility amounted to SR 1 billion as of 31 December 2015 and is due for repayment during March 2016.

Long-term loans

- (a) On 28 July 2008, the Company obtained a sharia-compliant loan for SR 6 billion from a syndicate of local banks which has been fully withdrawn. The loan is repayable over 22 equal semi-annual installments starting 3 November 2009. The loan balance amounted to SR 2.5 billion as of 31 December 2015 (2014: SR 3 billion).
- (b) On 13 July 2009, the Company signed a financing agreement with the Public Investments Fund where by the Company will receive a direct loan of SR 2.6 billion which has been fully withdrawn. The loan is repayable within 15 years over 24 equal semi-annual installments. The loan balance amounted to SR 1.8 billion as of 31 December 2015 (2014 : SR 2 billion).
- (c) On 27 January 2010, the Company signed a financing agreement with the Export-Import Bank of the United States, and the Export Development Bank of Canada whereby the Company will receive a direct loan amounting to US\$ 1.1 billion equivalent to SR 4.1 billion which has been fully withdrawn. The loan is repayable within 12 years over 24 equal semi-annual installments starting 25 May 2010. The loan balance amounted to SR 2 billion as of 31 December 2015 (2014: SR 2.3 billion).

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**7. LOANS AND BANK FACILITIES (continued)**

Long-term loans (continued)

- (d) On 13 December 2010, the Company signed an agreement with a syndicate of local banks whereby the Company will obtain a sharia compliant loan of SR 5 billion repayable over 26 equal semi-annual installments starting after past 24 months since date of signing the agreement. The loan balance amounted to SR 3.8 billion as of 31 December 2015 (2014:SR 4.2 billion).
- (e) On 22 June 2011, the Company signed with Export and Import French Bank an agreement whereby the Company obtain a loan of SR 3.7 billion (US\$ 989.1 million) which has been fully withdrawn. The loan is repayable within 12 years over 24 equal semi-annual installments starting 11 January 2012. The loan balance amounted to SR 2.5 billion as of 31 December 2015 (2014:SR 2.8 billion).
- (f) On 29 March 2012, The Company signed a loan agreement guaranteed by two Export Korean banks (K Shore and K Exim) where a syndicate of international banks participated in financing the loan led by HSBC Group, Tokyo-Mitsubishi Bank, Sumitomo Mitsui Banking Corporation, Mizuho Bank and KFW Bankengruppe. The loan amount is SR 5.3 billion (US\$ 1.4 billion) for a period of 15 years. The loan is repayable within 12 years over 24 equal semi-annual installments starting after grace period of 3 years. The loan balance amounted to SR 4.8 billion as of 31 December 2015 (2014: SR 5.3 billion).
- (g) On 18 December 2013, The Company signed a loan agreement guaranteed by two Export Japanese banks (NEXI) and (JBIC) where Export Japanese bank (JBIC), Tokyo-Mitsubishi Bank, and Mizuho Bank participated in financing the loan. The amount of the loan is SR 1.4 billion (US\$ 366 million) for a period of 15 years. The loan is repayable in equal installments over 12 years starting after grace period of 3 years. The loan balance amounted to SR 1.1 billion as of 31 December 2015 (2014: nil).
- (h) On 19 December 2013, The Company signed a loan agreement guaranteed by two Export Korean banks (K Shore and K Exim), where Export Korean banks (K Shore and K Exim), and various international banks, Tokyo-Mitsubishi Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation, HSBC Group, Deutsche bank and IPEX bank have participated in financing the loan. The amount of the loan is SR 6.1 billion (US\$ 1.6 billion) for a period of 15 years. The loan is repayable in equal installments over 12 years starting with a grace period of 3 years. The loan balance amounted to SR 6.1 billion as of 31 December 2015 (2014: nil).

The long-term loans mentioned above are used in financing construction projects. These loans are secured by promissory notes signed by the Company for the nominal value of the loan plus the interest payments and/or Murabaha margin.

Bank facilities

On 7 December 2015, The Company signed a framework financing agreement with Export Korean Bank (K-Exim) for three years starting from the date of signing. The agreement entitles the Company to obtain various loans in the future up to SR 11.25 billion (US\$ 3 billion). The Company did not execute the agreement as of 31 December 2015.

The Company has unutilized credit facilities signed as of 31 December 2015 with local commercial banks amounting to SR 1.2 billion (2014: SR 0.7 billion).

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**8. SUKUK**

The outstanding Sukuk as of 31 December 2015 are as follows:

**Local Sukuk:**

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 3	10 May 2010	SR 10 Thousand	SR 7 Billion	2030
Sukuk 4	30 January 2014	SR 1 Million	SR 4.5 Billion	2054

The above Sukuk have been, issued at par value with no discount or premium. The Sukuk bear a rate of return at SIBOR plus a margin payable quarterly from the net income received from the Sukuk assets held by the Sukuk custodian “Electricity Sukuk Company”, a wholly owned subsidiary of the Company.

The Company has undertaken to purchase these Sukuk from Sukuk holders at dates specified in prospectus. At each purchase date, the Company shall pay an amount of 5% to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The purchase price is determined by multiplying Sukuk’s par value at the percentage shown against the purchase date, as follows:

Percentage			
	90%	60%	30%
Issue	First purchase date	Second purchase date	Third purchase date
Sukuk 3	2017	2020	2025

Percentage			
	95%	60%	30%
Issue	First purchase date	Second purchase date	Third purchase date
Sukuk 4	2024	2034	2044

On 15 July 2012, the Company has fully purchased its first Sukuk issued (Sukuk 1) amounting to SR 5 billion.

On 6 July 2014, the Company has fully purchased its second Sukuk issued (Sukuk 2) amounting to SR 7 billion.

**Global Sukuk:**

- During April 2012 the Company issued Global Sukuk amounting to SR 6.6 billion equivalent to approximately (US\$ 1.750 billion). The issuance consists of two types of Global Sukuk certificates. The first type amounting to US\$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second type amounting to US\$ 1.250 billion maturing after 10 years with fixed rate of 4.211%.
- During April 2013 the Company also issued Global Sukuk amounting SR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Global Sukuk Certificates. The first type amounting to US\$ 1 billion maturing after 10 years with fixed rate of 3.473%, the second type amounting to US\$ 1 billion maturing after 30 years with fixed rate of 5.06%.
- During April 2014 the Company also issued Global Sukuk amounting to SR 9.4 billion equivalent to (US\$ 2.5 billion). The issuance consists of two types of Global Sukuk certificates, the first type amounting to US\$ 1.5 billion maturing after 10 years with fixed rate of 4%, the second type amounting to US\$ 1 billion maturing after 30 years with fixed rate of 5.5%.



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**9. GOVERNMENT LOANS**

- (a) Pursuant to the Council of Ministers' resolution number 169 dated 11 Sha'ban 1419H, the net dues of the Government to the Saudi Electricity Company and the net dues of the Company to the Government were determined in accordance with rules and procedures stipulated for in the minutes of meetings signed by HE the Minister of Industry and Electricity and HE the Minister of Finance and National Economy dated 27 Jumad Thani 1418H corresponding to 29 October 1997. The net difference payable to the Government by the Company, as determined at the close of the business day preceding the issuance of the Royal Decree for the incorporation of the Company, is considered a non-interest bearing long term loan (soft loan) with a grace period of twenty five years starting from the date of the announcement of the incorporation of the Company. The loan is to be revisited later on subject to the financial condition of the Government and the Company.

The minutes of the meeting held on 21 Rajab 1422H between the Minister of Industry and Electricity and the Minister of Finance and National Economy in which the initial amount of the Government loan was determined, states that the final settlement of Government accounts will be subject to the reconciliation for the claims of the Company from Government entities, and the loan amount shall be adjusted accordingly. During 2005, the Company finalized the amount due which included the claims of the Company and the amounts due to the Government and the agreement was signed between the Minister of Water and Electricity and the Minister of Finance on 15 Rajab 1426H which brought the balance of Government loan amounted to SR 14.9 billion.

- (b) The Council of Ministers approved in its meeting held on Monday 12 Jumad Awal 1431H corresponding to 26 April 2010 to grant the Company a soft loan amounting to SR 15 billion repayable over 25 years. The loan will be paid to the Company within 2 years in accordance with an agreement made for this purpose between the Ministry of Finance and Saudi Electricity Company. This loan has been fully withdrawn as at 31 December 2015 (2014: fully withdrawn). The Company has recognized the amount received from the government loan above discounted to its present value.
- (c) The Council of Ministers approved in its meeting held on Monday 11 Rajab 1432H corresponding to 13 June 2011 to grant the Company a soft loan amounting to SR 51.1 billion repayable over 25 years. The loan will be paid to the Company within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Saudi Electricity Company. An amount of SR 38.3 billion from this loan has been withdrawn as at 31 December 2015 (2014: SR 30.7 billion). The Company has recognized the amount received from the government loan above discounted to its present value. However, the loan agreement provides that the loan amount will be reduced by proceeds collected by the Company due to any increase in the residential sector tariff. In light of the latest tariff amendments (note 1), the Company is currently determining the effect on the loan maturity or future payments not withdrawn yet.
- (d) The Council of Ministers approved in its meeting held on Monday 9 Jumad Awal 1435H corresponding to 10 March 2014 to grant the Company a soft loan amounting to SR 49.4 billion repayable over 25 years. The loan will be paid to the Company within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Saudi Electricity Company. An amount of SR 14.1 billion from this loan has been withdrawn as at 31 December 2015 (2014: SR 7 billion). The Company has recognized the amount received from the government loan above discounted to its present value.

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**10. LONG-TERM GOVERNMENT PAYABLES**

The long-term government payable includes as at 31 December 2015 SR 57 billion represents the accounts payable for fuel for the period from 5 April 2000 to 31 December 2012 (2014: SR 57 billion represents the accounts payable for fuel for the period from 5 April 2000 to 31 December 2012) which has been reclassified from current liabilities to non-current liabilities (long-term governmental payables) pursuant to the Ministerial minutes of meeting and resolutions which resolved to transfer the Company's liability of Saudi Arabian Oil Company ("Saudi Aramco") to the account of the Ministry of Finance according to specific procedures and approvals, the latest was before the end of 2013.

Also, the long-term government payable includes an amount of SR 42.3 billion as at 31 December 2015 (2014: SR 34 billion) representing the difference between the amount proceed from Government as a soft loans and the discounted present value of these loans (Note 9- (b) , (c) & (d)).

**11. DERIVATIVES**

The Company entered into interest rate cash flows hedging contracts with several banks to hedge the fluctuations in interest rates on loans for an amount of SR 1.4 billion on 31 December 2015 (2014: SR 1.8 billion) which includes a US Dollar portion representing approximately 15% of the national amount. The hedging contracts are based on the swap between the Company and the banks of fixed rates against floating rates on the original loan amounts every six-months.

The cash flows hedging contracts reserve shown in the shareholders equity includes the Group's share in the unrealized gains and losses resulting from the change in the fair value for cash flows hedging contracts recognized within the equity of investees.

**12. SHARE CAPITAL**

The share capital of the Company amounts to SR 41,665,938,150 divided into 4,166,593,815 shares, at par value of SR 10 each.

**13. GENERAL RESERVE**

General reserve consists of the balances of the reserves that were reflected in the consolidated financial statements of the Saudi Electricity Company at the date of the merger, in additions to the collections of surcharge from individuals subsequent to 31 December 2001.

**14. REVERSAL OF PROVISION FOR DOUBTFUL RECEIVABLES**

During the year ended 31 December 2014, the Company was able to recover certain receivables previously provided for.

**15. NON-RECURRING INCOME (EXPENSES)**

Non-recurring income for the three months and year ended 31 December 2015 represents reconciliations related to applying new billing system which resulted in net adjustments results in favor of the Group with an amount of SR 202 million (2014: SR 537 million represents an expense as a result of an adjustments related to the dispute with Saudi Aramco (Note 18/b)).

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### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

#### **16. DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION**

In accordance with the Company's by-laws, dividends of at least 5% of paid in capital, net of reserves, should be distributed to shareholders, with due care to the provisions of the Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H, whereby the Government has waived its share in the distributed dividends for a period of ten years from the date of the Company's formation, provided that dividends do not exceed 10% of the par value of the shares. In cases where the distribution exceeds 10% of the shares' par value, the Government's share shall be treated similar to the share of other shareholders. The Government has agreed to extend this waiver for another ten years based on the Council of Ministers' Resolution No. 327 dated 24 Ramadan 1430H.

The General Assembly, in its meeting held on 20 April 2015, approved to distribute of cash dividends for the year 2014 to individual shareholders amounting of SR 547 million (SR 0.70 per share) representing 7% of the par value per share (for the year 2013: SR 547 million). In addition, the General Assembly has approved in its meeting, Board of Directors' remuneration for the year 2014 of SR 866 thousand from the retained earnings (for the year 2013: SR 863 thousand).

#### **17. CONTINGENT LIABILITIES**

- (a) There is a dispute between the Company and Saudi Aramco for handling crude oil fees. The disputed amount since the Company's inception on 5 April 2000 to 31 December 2015 amounted to approximately SR 4.4 billion (2014: SR 4 billion). The Company's management believes that there will be no liability on the Company based on the Royal Decree Number M/8 dated 25 Rajab 1415H as this matter was not discussed by the Ministerial Committee formed by the Royal Decree referred to above. Accordingly, the difference has not been recorded as part of the liabilities in the Company's books. In addition, Saudi Aramco is supplying the Company with light fuel oil rather than heavy fuel oil to one of its stations. This has resulted in an accumulated difference of SR 2.2 billion (2014: SR 1.9 billion) not accounted for as part of the liabilities in the Company's books.
- (b) Saudi Aramco has also a claim for the settlement of its share in the annual dividends since inception to 31 December 2014, estimated at SR 2.8 billion. The Company believes that Saudi Aramco has no right for this claim during the first 20 years of its formation since it is a wholly owned government agency and accordingly, is governed by the Council of Ministers' resolution no. 169 dated 11 Sha'aban 1419H and Council of Ministers' resolution no. 327 dated 24 Ramadan 1430H on extending the Government's waiver of its rights in the dividends distributed by Saudi Electricity Company for another ten years.
- (c) The Company has provided guarantees to some of the commercial banks against its share for financing a loan granted to some of its investee companies. The guarantee amounted to US\$ 15 million equivalent to SR 56.3 million as of 31 December 2015 (2014: US\$ 14.8 million equivalent to SR 55 million). In addition, the Company has provided a guarantee to the Department of Zakat and Income Tax (DZIT) amounting to SR 13 million (2014: SR 37.5 million).

#### **18. SETTLEMENT OF DISPUTES WITH SAUDI ARAMCO**

##### **a. Settlement of dispute on electric tariff:**

The Company provides electricity power to governmental agencies, ministries and Saudi Aramco. The tariff applied are approved by the Council of Ministers and are similar to the tariff applied to other consumers, except for the tariff used for Saline Water Conversion Corporation (SWCC) which is in accordance with a government resolution. As for the residential property of Saudi Aramco, the Company believes that these should be charged with the commercial tariff. However, Saudi Aramco has objected to this tariff and is settling the electricity sales for the properties based on the industrial tariff.

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**18. SETTLEMENT OF DISPUTES WITH SAUDI ARAMCO (continued)**

**a. Settlement of dispute on electric tariff: (continued)**

The Council of Ministers has issued the resolution number 114 on 10 Rabi Thani 1430H to end this dispute and to charge Saudi Aramco on the basis of residential and commercial tariff instead of industrial tariff. The Electricity and Co-generation Regulatory Authority (“the regulator”) will have to specify the residential and commercial enterprises of Saudi Aramco. Accordingly, the Company, Saudi Aramco and the regulator held several meetings to settle this matter where the regulator has specified the disputed residential and commercial enterprises of Saudi Aramco.

The Company has executed the regulator decree number 49/432 dated 8 Jumad Awal 1432H classifying Saudi Aramco electricity consumption tariff starting from 1 January 2012, accordingly, the disputed residential and commercial enterprises mentioned above were identified, and the agreed upon tariff were applied on Saudi Aramco consumption. Further, the Company has also completed the calculation of the previous years’ consumption from date of inception up to 31 December 2011 according to regulator decree mentioned above and has submitted the invoices to Saudi Aramco with total amount of SR 729 million. During the quarter ended 30 June 2013, the Company has completed the final settlement’s procedures with Saudi Aramco for these revenue and recognized them in the interim consolidated statement of income. The Company is still following-up with Saudi Aramco the procedures to collect this amount.

**b. Settlement of dispute on power exchange**

During 2014, the Company has reached to settlement agreement with Saudi Aramco in respect of old outstanding claims related to cost of exchanged power for previous periods. Therefore, the Company has made additional provisions amounting to SR 537 million against these claims during the year ended 31 December 2014. The Company received net amount of SR 1.5 billion as a final settlement.

**19. CAPITAL COMMITMENTS**

- (a) These comprise the unexecuted portion – as of the interim consolidated balance sheet date – of capital contracts conducted by the Company for the erection and installation of power plants and other assets approximately amounting to SR 80,550 million (2014: SR 121,188 million).
- (b) The Company has long-term energy purchase agreements with independent power providers whereby the Company has undertaken to purchase the all energy produced by these providers according to specific terms and prices. These agreements are for periods up to 20 years, and renewable for further periods by mutual consent of both parties, in addition to the future commitments provided by the Company to finance certain investees in the form of subordinate loans or common equity amounting to SR 695 million (2014: SR 695 million).

**20. ZAKAT**

The Company has received the Zakat assessments for the period ended in 31 December 2001 and for the years from 2002 to 2008 which showed Zakat differences of SR 37.5 million for the period ended 31 December 2001 and the years 2002, 2003 and 2004. The Company has filed appeals against those differences which were rejected by the Department of Zakat and Income Tax (“DZIT”) and referred them to the First Preliminary Zakat and Tax Appeal Committee (“PAC”), PAC has rejected the appeal in form, per its resolution No. 29 for the year 1433H. The Company has filed an appeal before Higher Appellate Committee (“HAC”) which has reviewed the Company’s appeal and rejected it per its ruling No. 1458 for the year 1436H. Consequently, the Company has settled the differences of SR 24 million for the years 2002, 2003 and 2004 as per HAC ruling.

The Company has filed the Zakat returns for the years 2009 to 2014 which are still under review by DZIT.

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**21. SEGMENT REPORTING AND FUTURE RESTRUCTURE FOR THE GROUP'S ACTIVITIES**

The Group's main operating activities comprises of generation, transmission, distribution and customer services. These activities complement each other in delivering electricity to the consumer. The Group's revenue is currently recognized from selling electricity to the end consumer based on the official Tariff set by the government. All Group's operations are conducted in the Kingdom of Saudi Arabia.

Following is a description of the main operations for each activity:

**Generation:** Generation and provision of electricity power.

**Transmission:** Transmission of electricity power from generation stations using transmission network, to distribution network and operation and maintenance of electricity transmission system.

**Distribution and customer services:** Receipt of electricity power from transmission network and distribute it to Company's subscribers. It is also engaged in issuance, distribution and collection of electric consumption bills.

The Company is currently implementing an integrated plan which aims to split its principal activities to different independent entities and develop inter-selling prices. Therefore, revenues and expenses will be specified for each company separately upon completion of this split process to assess the performance of each activity and the results of its operation separately. As part of the plan, National Grid S.A. Company was established and basis of inter-company transaction agreements were approved by the board of directors. The National Grid S.A. Company started its transmission activities from 1 January 2012.

The following are the fixed assets, total assets and liabilities of the main Group's companies. The financial information of Saudi Electricity Company mentioned in the table below includes the generation, distribution and customer services segments as well as the head office, as the procedures of splitting the generation and distribution segments are still in process – up to date of consolidated financial statements preparation date – as part of the Company's integrated plan mentioned above. The National Grid S.A. Company's financial information includes the transmission activity, while other subsidiaries' financial information include all companies set out in Note- (1) excluding National Grid S.A. Company.

<i>31 December 2015</i>	<i>Saudi Electricity Company SR'000</i>	<i>National Grid S.A. Company SR'000</i>	<i>Other Subsidiaries SR'000</i>	<i>Inter-Group balances SR'000</i>	<i>Total SR'000</i>
Fixed Assets, net	159,378,272	70,616,669	-	-	229,994,941
Total Assets	351,491,667	87,434,003	278,614	(81,175,359)	358,028,925
Total Liabilities	295,329,253	73,377,914	192,821	(71,089,566)	297,810,422
<i>31 December 2014</i>	<i>Saudi Electricity Company SR'000</i>	<i>National Grid S.A. Company SR'000</i>	<i>Other Subsidiaries SR'000</i>	<i>Inter-Group balances SR'000</i>	<i>Total SR'000</i>
Fixed Assets, net	154,924,723	60,448,667	-	-	215,373,390
Total Assets	312,708,884	72,965,270	135,291	(67,901,252)	317,908,193
Total Liabilities	256,915,259	59,516,398	65,435	(57,831,395)	258,665,697

**22. SUBSEQUENT EVENTS**

On 6 January 2016, the Company signed US Dollars credit facility agreement for three years. Financing was made by Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation, HSBC Group, JP Morgan Bank, Crédit Agricole Group and Deutsche Bank. This facility amounted to SR 5.25 billion (US\$ 1.4 billion).

**23. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period's presentation.