



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 SIX-MONTH PERIOD ENDED 30 JUNE 2014**

Saudi Electricity Company  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS'  
LIMITED REVIEW REPORT  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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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 30 June 2014 and related interim consolidated statements of income for the three months and six months periods ended 30 June 2014, and interim consolidated statement of cash flows and changes in shareholders' equity for the six months period 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: 23 Ramadan 1435H  
(20 July 2014)

Saudi Electricity Company  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

(In Thousands Saudi Riyals)

	Note	2014 (Unaudited)	2013 (Unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		10,543,684	7,016,370
Receivables from electricity consumers and accrued revenues, net		22,180,486	17,294,321
Prepayments and other receivables, net		6,882,377	5,009,643
Inventories, net		7,772,258	6,849,687
<b>TOTAL CURRENT ASSETS</b>		<b>47,378,805</b>	<b>36,170,021</b>
<b>NON-CURRENT ASSETS</b>			
Loan to associated companies	6	1,083,652	1,312,692
Equity investments in companies and others		2,378,180	2,058,440
Construction work-in-progress		50,794,712	49,944,328
Fixed assets, net		205,632,822	173,584,092
<b>TOTAL NON-CURRENT ASSETS</b>		<b>259,889,366</b>	<b>226,899,552</b>
<b>TOTAL ASSETS</b>		<b>307,268,171</b>	<b>263,069,573</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		34,410,274	39,993,104
Accruals and other payables		4,776,231	3,349,553
Short term loans and current portion of long-term loans	7	1,946,969	1,817,000
Sukuk	8	7,000,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>48,133,474</b>	<b>45,159,657</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	7	16,513,693	15,439,540
Sukuk	8	34,940,490	28,064,490
Employees' indemnities		5,487,337	5,065,214
Deferred revenues, net		25,615,074	23,667,331
Customers' refundable deposits		1,606,419	1,511,026
Government loans	9	29,864,727	25,495,146
Long-term Government payables	10	86,128,522	64,037,935
Provision for change in fair value of hedging contracts	11\21	318,591	821,455
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>200,474,853</b>	<b>164,102,137</b>
<b>TOTAL LIABILITIES</b>		<b>248,608,327</b>	<b>209,261,794</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	41,665,938	41,665,938
Statutory reserve		2,114,186	1,810,599
General reserve	13	545,262	540,330
Retained earnings	14	14,703,639	10,619,919
Cash flow hedges reserve	11\21	(369,181)	(829,007)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>58,659,844</b>	<b>53,807,779</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>307,268,171</b>	<b>263,069,573</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 THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2014  
(In Thousands Saudi Riyals)

		<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
	<i>Note</i>	<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>	<i>30 June 2014 (Unaudited)</i>	<i>30 June 2013 (Unaudited)</i>
<b>Operating revenues</b>					
Electricity sales		<b>9,731,617</b>	8,613,193	<b>16,060,960</b>	14,372,950
Meter reading, maintenance and bills preparation tariff		<b>264,444</b>	251,077	<b>519,898</b>	486,234
Electricity connection tariff		<b>458,935</b>	416,254	<b>905,769</b>	820,914
Other operating revenues		<b>34,731</b>	26,890	<b>72,274</b>	50,589
<b>TOTAL OPERATING REVENUES</b>		<b>10,489,727</b>	9,307,414	<b>17,558,901</b>	15,730,687
<b>Cost of sales</b>					
Fuel		<b>(1,805,242)</b>	(1,682,116)	<b>(2,863,203)</b>	(2,676,310)
Purchased power		<b>(1,583,259)</b>	(1,721,239)	<b>(3,039,837)</b>	(3,024,991)
Operations and maintenance		<b>(2,544,097)</b>	(2,327,598)	<b>(4,955,196)</b>	(4,313,046)
Depreciation – Operations and maintenance		<b>(3,215,312)</b>	(2,776,907)	<b>(6,222,953)</b>	(5,493,308)
<b>TOTAL COST OF SALES</b>		<b>(9,147,910)</b>	(8,507,860)	<b>(17,081,189)</b>	(15,507,655)
<b>GROSS PROFIT FOR THE PERIOD</b>		<b>1,341,817</b>	799,554	<b>477,712</b>	223,032
General and administrative expenses		<b>(110,887)</b>	(73,394)	<b>(188,845)</b>	(165,000)
Depreciation - General and administrative		<b>(83,061)</b>	(69,780)	<b>(159,209)</b>	(143,317)
<b>INCOME (LOSS) FROM MAIN OPERATIONS</b>		<b>1,147,869</b>	656,380	<b>129,658</b>	(85,285)
Reversal of provision for doubtful receivables	<b>16</b>	<b>2,631,261</b>	-	<b>2,631,261</b>	-
Non-recurring (expenses) income	<b>17</b>	<b>(292,429)</b>	729,186	<b>(292,429)</b>	729,186
Other income and expenses, net		<b>171,112</b>	116,707	<b>275,976</b>	201,012
<b>NET INCOME FOR THE PERIOD</b>		<b>3,657,813</b>	1,502,273	<b>2,744,466</b>	844,913
<b>BASIC INCOME (LOSS) PER SHARE (SR):</b>					
From operating activities for the period		0,28	0,16	<b>0,03</b>	(0,02)
From net income for the period		0,88	0,36	<b>0,66</b>	0,20

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 SIX-MONTH PERIOD ENDED 30 JUNE 2014  
(In Thousands Saudi Riyals)

	2014 (Unaudited)	2013 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	2,744,466	844,913
Adjustments to reconcile net income for the period with net cash from operating activities:		
(Reversal of) provision for doubtful receivables	(2,631,261)	54,562
Provision for slow-moving inventories	16,866	41,145
Group's share of associates' net income	(146)	(179)
Depreciation	6,382,162	5,636,624
Gain on disposal of fixed assets, net	(59,234)	(33,454)
Employees' indemnities, net	304,784	(102,967)
<b>Changes in operating assets and liabilities:</b>		
Receivables from electricity consumers and accrued revenues	(1,097,582)	(3,921,623)
Prepayments and other receivables	(166,080)	184,210
Inventories	(1,150,867)	(1,069,359)
Accounts payable	6,155,385	5,483,927
Deferred revenues, net	1,648,664	1,377,630
Accruals and other payables	84,349	(1,402,856)
Net proceeds and payments of customers' refundable deposits	50,857	57,220
<b>Net cash from operating activities</b>	<b>12,282,363</b>	<b>7,149,793</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed assets and construction work-in-progress	(25,091,452)	(20,619,337)
Proceeds from sale of fixed assets	85,637	29,396
Loan to an associate company	46,290	(947,192)
Equity investments in companies and others	(190,866)	125,000
<b>Net cash used in investing activities</b>	<b>(25,150,391)</b>	<b>(21,412,133)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net collection from Government loans and payables	5,110,081	7,671,362
Net proceeds from long-term loans	966,731	3,591,554
Global sukuk	9,376,000	7,501,500
Local sukuk	4,500,000	-
Dividends paid to shareholders	(528,242)	(531,492)
<b>Net cash from financing activities</b>	<b>19,424,570</b>	<b>18,232,924</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>6,556,542</b>	<b>3,970,584</b>
Cash and cash equivalents, beginning of the period	3,987,142	3,045,786
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<b>10,543,684</b>	<b>7,016,370</b>
<b>Non-cash transaction:</b>		
Change in fair value of hedging contracts	187,180	61,583

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- (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

(In Thousands Saudi Riyals)

	Note	Share capital	Statutory reserve	General reserve	Retained earnings	Change in fair value for hedging contracts	Total
<b>For the six-month period ended 30 June 2013</b>							
Balance as at 1 January 2013 – before adjustments		41,665,938	1,810,599	540,330	10,323,177	(370,748)	53,969,296
Prior year adjustments	21	-	-	-	-	(519,842)	(519,842)
Balance as at 1 January 2013 – adjusted		41,665,938	1,810,599	540,330	10,323,177	(890,590)	53,449,454
Net income for the period		-	-	-	844,913	-	844,913
Dividends paid to shareholders for 2012	14	-	-	-	(547,252)	-	(547,252)
Board of Directors' remuneration for 2012	14	-	-	-	(919)	-	(919)
Net change in fair value for hedging contracts	11/21	-	-	-	-	61,583	61,583
Balance as at 30 June 2013		41,665,938	1,810,599	540,330	10,619,919	(829,007)	53,807,779
<b>For the six-months period ended 30 June 2014</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 period		-	-	-	2,744,466	-	2,744,466
Dividends paid to shareholders for 2013	14	-	-	-	(547,252)	-	(547,252)
Board of Directors' remuneration for 2013	14	-	-	-	(863)	-	(863)
Net change in fair value for hedging contracts	11	-	-	-	-	187,180	187,180
Balance as at 30 June 2014		41,665,938	2,114,186	545,262	14,703,639	(369,181)	58,659,844

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

# Saudi Electricity Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

### 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 the majority of the 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 related to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) in Saudi Electricity 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 Resolution Number 2047 dated 30 Dhu Al Hijjah 1420H corresponding to 5 April 2000 as a Saudi joint stock company and was registered in Riyadh under Commercial Registration Number 1010158683, dated 28 Muharram 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.

According to the Company's bylaws, the Company's financial year begins on 1<sup>st</sup> January and ends on 31<sup>st</sup> December from each Gregorian year.



Saudi Electricity Company  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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

The following are the list of subsidiaries included in this interim consolidated financial statements:

<i>Name of Subsidiary</i>	<i>Business Activity</i>	<i>Country of incorporation</i>	<i>Ownership % (direct &amp; indirect)</i>
National Grid S.A. Company	Transmission of power from generating stations to distribution network and operating and maintenance of electricity transmission system	Saudi Arabia	<b>100%</b>
Electricity Sukuk Company	Provide services and support needed in relation of issuing local bonds and Sukuk	Saudi Arabia	<b>100%</b>
Dawiyat Telecom Company	Establishing, leasing, managing and operating electricity and fiber optic networks to provide telecommunications services	Saudi Arabia	<b>100%</b>
Saudi Electricity Global Sukuk Company	Provide services and support needed in relation of issuing international bonds and Sukuk.	Cayman Islands	<b>100%</b>
Saudi Electricity Global Sukuk Company - 2	Provide services and support needed in relation of issuing international bonds and Sukuk.	Cayman Islands	<b>100%</b>
Saudi Electricity Global Sukuk Company - 3	Provide services and support needed in relation of issuing international bonds and Sukuk.	Cayman Islands	<b>100%</b>

**2. BASIS OF CONSOLIDATION**

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

A subsidiary company is that in which the Company has directly or indirectly 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.

The group's intercompany balances and transactions has been eliminated in this 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 SIX-MONTH PERIOD ENDED 30 JUNE 2014

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying 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 preparing its interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited financial statements for the year ended 31 December 2013.

The significant accounting policies adopted are as follows:

**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 date of the interim consolidated financial statements period, actual results ultimately may differ from those estimates.

**Cash and cash equivalents**

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

**Electricity consumers receivables**

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

**Inventories**

Generation, transmission, distribution and other materials and fuel inventory are stated at lower of cost or market value and calculated using the weighted average cost, 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 at least 20% 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 recognised in interim consolidated statement of income when investees' financial statements are issued.

Investments of less than 20% of share capital of unquoted Companies are stated at cost is considered as fair value. Income from these investments is recognised in interim consolidated statements 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)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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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 put in service. Costs of 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 year - 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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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 cash flow 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 for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives determined as effective cash flows hedges are taken directly to the interim consolidated statement of shareholders' 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 shareholder's equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholders' 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.

**Provision for employees' indemnity**

Employees' indemnity consists of the following:

Provision for end of service benefits:

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

Employees' saving fund:

The Group contributes in saving fund for qualified employees based on approved policy. The Group's share from contribute in 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.

**Revenues**

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  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (Unaudited)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

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

**Revenues (continued)**

Revenue from meter reading, maintenance and bills preparation services 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 services 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 to be 20 years.

**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 activities' expenses. The remaining portion of these expenses is included under General and Administrative expenses. General services and supporting activities expenses are allocated between the main activities based on the benefits received and is evaluated periodically.

**Operating lease**

Leases which terms of capital lease are not applicable to it are classified as operating leases, and payments under operating leases are recognised as an expense in the interim consolidated statement of income on a straight line basis over the term of the lease.

**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. Earnings (loss) per basic share from operating activities is calculated by dividing income (loss) from operations on the weighted average number of shares. 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 date 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 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.

**5. SEASONAL FLUCTUATIONS**

The operations and revenues of the Group are affected by seasonal weather changes during the year. Revenues are materially lower during the winter months due to lower consumption of electricity whereas higher revenues 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 (second quarter of year 2014) may not be an accurate indication of the actual results for the full year.

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**6. LOAN TO ASSOCIATED COMPANIES**

This balance includes, as of 30 June 2014 and 2013, an amount of SR 947 million representing the Company's share in the subordinate loan provided to Dhurma Electricity company (an associated company). Under the agreement between the shareholders of the associated company, the loan is provided by shareholders in proportion of their share in the capital. The Company holds 50% interest in the associated company. This subordinate loan is non commission bearing.

**7. LOANS**

- (a) On 28 July 2008, the Company obtained a sharia-compliance loan for SR 6 billion from a group of local banks which has been fully withdrawn. The loan repayable over 22 semi-annual installments starting 3 November 2009. The loan balance amounted SR 3.3 billion as of 30 June 2014 (2013: SR 3.8 billion). The loan is subject to certain financial covenants in which the Company complies with as at 30 June 2014.
- (b) The Company signed a financing agreement with the Export-Import Bank of the United States, and the Export Development Bank of Canada on 27 January 2010 whereby the Company will receive a direct loan amounting to US\$ 1.1 billion equivalent to approximately SR 4.1 billion which has been fully withdrawn. The loan is repayable within 12 years in 24 semi-annual installments starting 25 May 2010. The loan balance amounted SR 2.5 billion as of 30 June 2014 (2013: SR 2.9 billion).
- (c) On 13 July 2009, the Company signed a financing agreement with the Public Investments Fund upon which the Company will receive a direct loan of SR 2.6 billion which has been fully withdrawn. The loan is repayable within 15 years in 24 semi-annual installments. The loan balance amounted SR 2.2 billion as of 30 June 2014 (2013 : SR 2.4 billion).
- (d) On 13 December 2010, the Company signed an agreement with group of local banks whereby the Company will obtain a sharia compliant loan of SR 5 billion repayable over 26 semi-annual installments starting after past 24 months since date of signed agreement. The loan balance amounted SR 4.4 billion as of 30 June 2014 (2013:SR 4.8 billion).
- (e) On 22 June 2011, the Company agreed with Export and Import French Bank whereby the Company will receive a loan amounting to US\$ 989.1 million equivalent to SR 3.7 billion has been fully withdrawn. The loan is repayable over 12 years in 24 semi-annual installments starting 11 January 2012. The loan balance amounted SR 3 billion as of 30 June 2014 (2013:SR 3.3 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 group 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 Company will receive a loan amounting to SR 5.3 billion equivalent to approximately US\$ 1,400 million for a period of 15 years. The loan is repayable over 12 years in 24 semi-annual installments starting after grace period of 3 years. The loan balance amounted SR 3.1 billion as of 30 June 2014 ( 2013: SR 107 million).
- (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 1,373 million (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 has not been withdrawn up to 30 June 2014.

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**7. LOANS (continued)**

- (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, Sumito bank, HSBC Group, Deutsche bank and IPEX bank have participated in financing the loan. The amount of the loan is SR 6,128 million ( US\$ 1,634 million) 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 has not been withdrawn up to 30 June 2014.

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.

The company has unutilized credit facilities signed as of 30 June 2014 with local commercial banks amounting to SR 0.7 billion (2013: SR 1 billion).

**8. SUKUK**

The outstanding Sukuk as of 30 June 2014 are as follows:

**Local Sukuk:**

<b>Issue</b>	<b>Date of issue</b>	<b>Par value</b>	<b>Total issued amount</b>	<b>Maturity date</b>
Sukuk 2*	6 July 2009	SR 100 Thousand	SR 7 Billion	2029
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 nor 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.

For 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:

<b>Percentage</b>			
	<b>90%</b>	<b>60%</b>	<b>30%</b>
<b>Issue</b>	<b>First purchased date</b>	<b>Second purchased date</b>	<b>Third purchased date</b>
Sukuk 2*	2014	2019	2024
Sukuk 3	2017	2020	2025

<b>Percentage</b>			
	<b>95%</b>	<b>60%</b>	<b>30%</b>
<b>Issue</b>	<b>First purchased date</b>	<b>Second purchased date</b>	<b>Third purchased date</b>
Sukuk 4	2024	2034	2044

On 15 July 2012, the Company fully purchased the assets of its first Sukuk issued (Sukuk 1) amounted SR 5 billion.

\* on 6 July 2014, the Company fully purchased the assets of its second Sukuk issued (Sukuk 2) amounted SR 7 billion

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**8. SUKUK (continued)**

**Global Sukuk:**

- (a) During April 2012 the Company issued Sukuk amounting to SR 6.6 billion equivalent to approximately US\$ 1,750 million where the issuance consists of two types of Sukuk certificates. The first type amounting to US\$ 500 million maturing after 5 years with fixed rate of 2.665%, the second type amounting to US\$ 1,250 million maturing after 10 years with fixed rate of 4.211%.
- (b) During April 2013 the Company also issued Sukuk amounting SR 7.5 billion equivalent to approximately US\$ 2 billion where the issuance consists of two types of 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%.
- (c) During April 2014 the Company has issued Sukuk amounting to SR 9.4 billion equivalent to approximately US\$ 2.5 billion. The issuance consists of two types of Sukuk certificates, the first type amounting to US\$ 1.5 billion mature after 10 years with fixed rate of 4%, the second type amounting to US\$ 1 billion mature after 30 years with fixed rate of 5.5%.

**9. GOVERNMENT LOANS**

- (a) Pursuant to the Ministerial resolution number 169 dated Sha'ban 11, 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 in the minutes of meetings signed by HE the Minister of Industry and Electricity and HE the Minister of Finance and National Economy dated Jumada Thani 27, 1418H corresponding to October 29, 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 Rajab 21, 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 Rajab 15, 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 Jumada Al-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 the Saudi Electricity Company. The agreement was signed on 15 Ramadan 1431H, corresponding to 25 August 2010, this loan has been fully withdrawn as at 30 June 2014 (2013: fully withdrawn). the Company recognized the amount received from the government loan above discounted at its present value as per the accounting policies in Note (3).



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**9. GOVERNMENT LOANS (continued)**

- (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 28 billion from this loan has been withdrawn as at 30 June 2014 (2013: SR 17.89 billion). The Company recognized the amount received from the government loan above discounted at its present value as per the accounting policies in Note (3).
- (d) The Council of Ministers approved in its meeting held on Monday 9 Jumada Al-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. The loan has not been withdrawn up to 30 June 2014.

**10. LONG-TERM GOVERNMENT PAYABLES**

The long term government payable includes as at 30 June 2014 SR 57 billion represents the accounts payable for fuel for the period from 5 April 2000 to 31 December 2012 (2013: SR 41 billion represents the accounts payable for fuel for the period from 5 April 2000 to 31 December 2009) 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 Arabia Oil Company ("Saudi Aramco") to the account of the Ministry of Finance according to specific procedures and approvals, the latest was before 2013 year end.

Also, the Government payable includes an amount of SR 28.2 billion as at 30 June 2014 (2013: SR 22.3 billion) represents the difference between the amount proceed from Government as a soft loans and the discounted present value of these loans (Note 9- (b) & (c)).

**11. DERIVATIVES**

The Company entered into interest rate hedging contracts with several banks to hedge the fluctuation of interest rates on loans for an amount of SR 2 billion on 30 June 2014 (2013: SR 2.4 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 flow hedge reserve shown in the shareholders equity includes the group's share in the unrealized losses resulting from the change in the fair value for hedging contracts recognised within the equity of investees (Note (21)).

**12. SHARE CAPITAL**

The share capital of the Company amounts to SR 41,665,938,150 divided into 4,166,593,815 shares with a 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.

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**14. DIVIDENDS PAID AND BOARD OF DIRECTORS' REMUNERATION**

In accordance with the Company's by-laws, dividends of at least 5% of paid in capital, net of reserve, 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 from 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 15 April 2014, approved to distribute of cash dividends for the year 2013 to individuals shareholders amounting of SR 547 million (SR 0.70 per share) representing 7% of the par value per share (for the year 2012: SR 547 million). In addition, the General Assembly has approved in its meeting, Board of Directors' remuneration for the year 2013 of SR 863 thousand from the retained earnings (for the year 2012: SR 919 thousand).

**15. 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 30 June 2014 amounted to approximately SR 3,824 million (2013: SR 3,443 million). 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 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 1,717 million (2013: SR 1,344 million) not accounted for 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 2013, estimated at SR 2,544 million. 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 Ministerial Resolution No. 169 dated 11 Sha'aban 1419H and Ministerial Resolution No. 327 dated 24 Ramadan 1430H on extending the Government's waiver of its rights in the profits distributed by the 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\$ 18.5 million equivalent to SR 69 million as of 30 June 2014 (2013: US\$ 74 million equivalent to SR 278 million). In addition, the Company has provided a guarantee for the Department of Zakat and Income Tax amounting to SR 37.5 million (2013: SR 37.5 million).

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

During the period ended 30 June 2014, the Company was able to recover certain receivables that were already provided for amounting to SR 2,631 million

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**17. SETTLEMENT OF THE DISPUTE OVER THE ELECTRIC TARIFF WITH SAUDI ARAMCO**

- a. 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 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.

The Council of Ministers has issued a Resolution Number 114 on 10 Rabi Al-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 Jumada 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 since 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 reconciliation procedures with Saudi Aramco for these revenues and recognized them as non-recurring income in the interim consolidated statement of income for the period.

- b. During July 2014, the Company has reached settlement agreement with Saudi Aramco in respect of old outstanding liabilities related to cost of exchanged power for certain locations since 2007. Therefore, the Company has charged additional provisions amounting to SR 292 million as a result of this settlement.

**18. 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 116,713 million (2013: SR 100,453 million) 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 1,253 million (2013: SR 1,253 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.

**19. ZAKAT**

No Zakat is due on the Company for the period ended 30 June 2014 as the net adjusted loss and zakat base is negative. It should be noted that the Company has received the final assessments for the period ended in 31 December 2001 and also 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 filed appeals against these differences which are still pending with the Department of Zakat and Income Tax (“DZIT”). The Company filed its Zakat returns for the years 2009 to 2013 and are still under review by DZIT.

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**20. SEGMENT REPORTING AND FUTURE RESTRUCTURE FOR THE COMPANY'S ACTIVITIES**

The Group's main operating activities are divided into generation, transmission and distribution and customer services activities. 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 based in the Kingdom of Saudi Arabia.

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

**Generation:** generating electricity power.

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

**Distribution and customer services:** receive and distribution to subscribers. It also engage in issuance and distribution and collection of electric bills and issue, distribute the consumer invoices and then collect the invoice amount.

The Company is now working on applying integrated plan aims to split its principal activities to different independent entities and develop inter-selling prices. Therefore revenues and expenses will be specified for each entity upon completion of such process to assess the performance of each activity and the results 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 operations and related to transmission activity in 1 January 2012.

The following are the fixed assets, total assets and liabilities of the main group's companies. The financial data of Saudi Electricity Company mentioned in the below table include the generating and distributing and customer services segments in addition to the head office, as the procedure of splitting the generation and distribution segments is still under process – till the date of interim consolidated financial statements preparation date- as part of the Company's integrated plan to split its activities. The National Grid S.A. Company's financial data includes the transmission activity, while other subsidiaries' financial data include all companies set out in Note- (1) excluding National Grid S.A. Company.

	<i>Saudi Electricity</i>	<i>National Grid S.A.</i>		<i>Inter-Company</i>	
<i>30 June 2014</i>	<i>Company</i>	<i>Company</i>	<i>Other Subsidiaries</i>	<i>Balances</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Fixed Assets, net	149,155,154	56,477,668	-	-	205,632,822
Total Assets	303,514,077	67,133,002	102,534	(63,481,442)	307,268,171
Total Liabilities	247,399,773	54,587,461	50,796	(53,429,703)	248,608,327
<i>30 June 2013</i>	<i>Company</i>	<i>Company</i>	<i>Other Subsidiaries</i>	<i>Balances</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Fixed Assets, net	120,977,184	52,606,908	-	-	173,584,092
Total Assets	261,009,780	60,974,401	46,769	(58,961,377)	263,069,573
Total Liabilities	208,077,365	50,106,404	25,286	(48,947,261)	209,261,794

**21. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES**

During the fourth quarter of the year ended 31 December 2013, the Company has accounted for its share in unrealized losses from hedges reserve shown in the equity of investee companies of which the Company are accounting for its investment in these companies using the equity method. Consequently, the opening balances of the shareholders' equity – cash flow hedges reserve– adjusted by SR 520 million as of 1 January 2013 in Note (11).

In addition, certain comparative figures have been reclassified to conform with the current period's presentation.