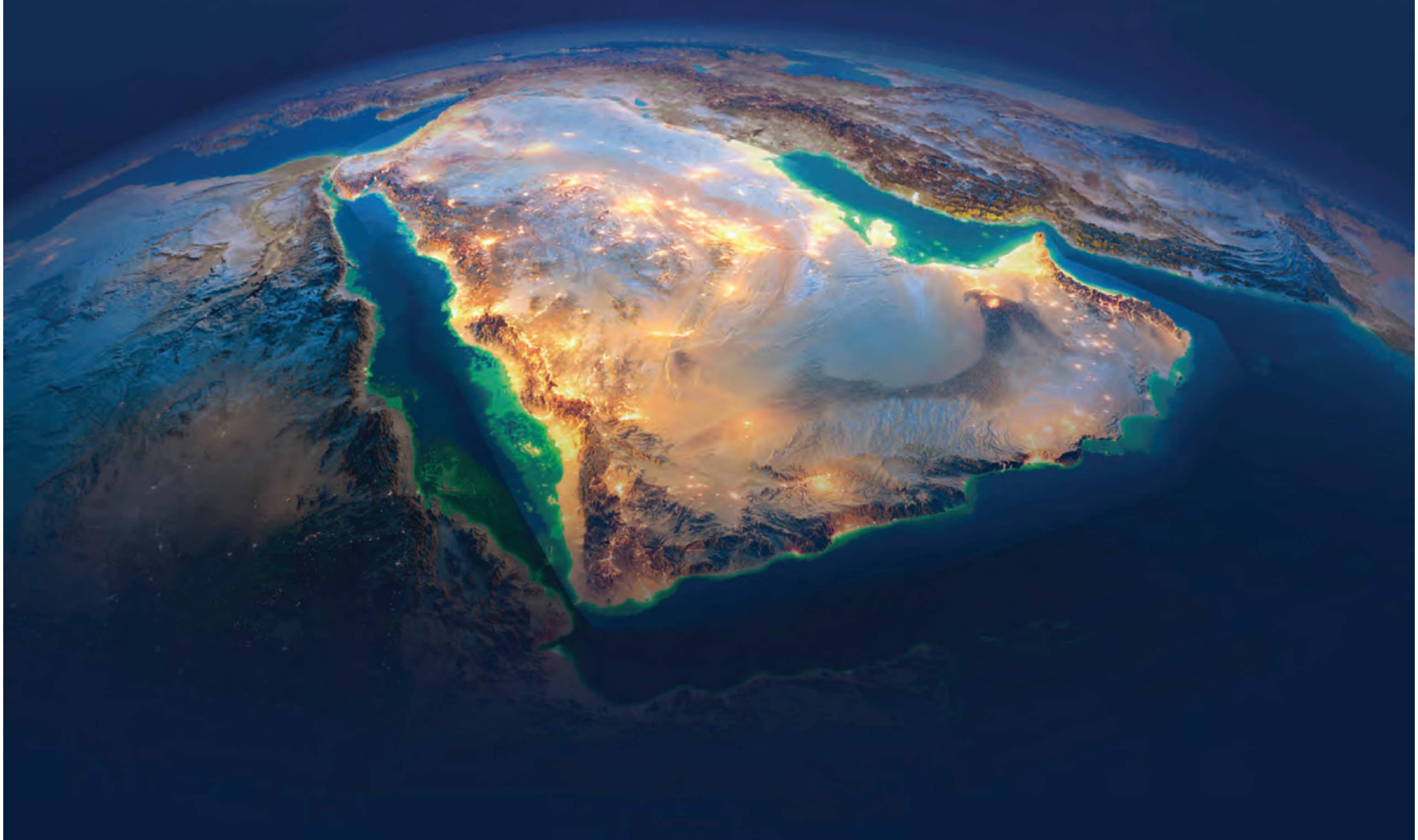
Saudi Electricity Company
(A Saudi joint stock company)

Consolidated Financial Statements Together with Independent Auditor's Report
For the year ending 31 December 2022



الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You

Index

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Electricity Company

(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Saudi Electricity Company ("the Company") and its subsidiaries (collectively referred to as "the Group")**, which comprise of the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	
Impairment of receivables from sale of electricity	
Refer to note 17 of the accompanying the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2022, gross receivables from sale of electricity amounted to SR 28.5 billion, against which a provision for impairment of SR 3.6 billion was recorded. In accordance with the requirements of IFRS 9 'Financial Instruments', the Group has applied the expected credit loss model to record an impairment against receivables from sale of electricity. The application of the expected credit loss model to record an impairment against receivables from sale of electricity is a key audit matter because the impairment of receivables from sale of electricity using the expected credit loss model involves material judgments and estimates that may have a significant impact on the Group's consolidated financial statements.	Among other things, our procedures included the following: • Assessed the design, implementation and the operating effectiveness of the management's internal control systems which govern the receivables from sale of electricity balance, including the provision for impairment of receivables from sale of electricity. • Assessed the methodology, assumptions and estimates used by management in preparing the expected credit loss model, including the assessing projections for the future. • Assessed the completeness and accuracy of the aging report for receivables from sale of electricity. • Involved our specialists to test the key assumptions used by management and assessed the reasonableness of the estimates used to record the provision for impairment of receivables from sale of electricity. • Inspected a sample of cash receipts subsequent to the yearend of the consolidated financial statements relating to receivables from sale of electricity including any communications with major customers on the expected dates of payment or any cases of defaults. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Key audit matter	
Recognition of sale of electricity	
Refer to note 40 of the accompanying the consolidated financial statements.	
Key audit matter	**How the matter was addressed in our audit**
The Group applies IFRS 15 'Revenue from contracts with customers'. During the year ended 31 December 2022, the Group recognized revenue from sale of electricity totaling SR 62.3 billion. Revenue from sale of electricity is recognized when the service is rendered, and invoices are issued to the consumers of electricity according to the consumption categories and tariffs specified by the Water & Electricity Regulatory Authority. Revenue is considered to be one of the significant indicators for measuring the performance of the Group, resulting in a possible inherent risk of recognizing revenue which is more than its actual value. The revenue recognition is considered as a key audit matter due to the materiality of the revenue amount and the inherent risk of overstating revenue, which may have a material impact on the Group's consolidated financial statements.	Among other things, our procedures included the following: • Assessed the design, implementation and operating effectiveness of management's internal controls system which govern the process around recognition of sale of electricity. • Inquired about existence of any actual and / or suspected fraud from the management. Furthermore, inquired about management's philosophy on fraud awareness. • Assessed the impact of judgments and assumptions on management's estimates covering the revenue and accrued revenue recognized during the year. • Tested a sample of journal entries which included specific risks of material misstatements and inspected underlying supporting documents. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

To the Shareholders of Saudi Electricity Company

(A Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

Independent auditor's report (continued)

To the Shareholders of Saudi Electricity Company

(A Saudi Joint Stock Company)

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Saudi Electricity Company and its subsidiaries**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

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Lic No. 46
C.R. 1010425494
R : 1
KPMG
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460

Date: 28 Sha'aban 1444H
Corresponding to: 20 March 2023

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position as at 31 December 2022
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment, net	9	438,083,263	438,731,462
Right of use assets, net	10-a	89,852	63,606
Investment properties	11	446,459	449,200
Intangible assets, net	12	353,118	408,977
Equity accounted investees	13	4,623,174	1,470,036
Financial assets at amortised cost	14	28,528	31,074
Financial assets through other comprehensive income	15	359,335	353,379
Derivative financial instruments	33.3	209,806	15,620
Total non-current assets		444,193,535	441,523,354
Current assets			
Inventories, net	16	3,377,551	3,321,525
Receivables from sale of electricity, net	17	24,896,380	20,778,804
Loans and advances	18	1,177,348	543,518
Prepayments and other receivables	19	2,673,898	1,687,051
Assets held for sale	48	-	785,266
Cash and cash equivalents	20	3,162,824	6,243,256
Total current assets		35,288,001	33,359,420
Total assets		479,481,536	474,882,774
Equity and liabilities			
Equity			
Share capital	21	41,665,938	41,665,938
Statutory reserve	23	7,105,975	5,592,453
General reserve	23	702,343	702,343
Other reserves		513,955	(639,480)
Contractual reserve – Mudaraba instrument	23	860,593	860,593
Retained earnings	22	38,281,357	35,521,258
Total equity before Mudaraba Instrument (1)		89,130,161	83,703,105
Fair value for Mudaraba instrument		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
Mudaraba instrument (2)	24	167,920,563	167,920,563
Total equity (1+2)		257,050,724	251,623,668
Liabilities			
Non-current liabilities			
Long term loans	33.2.1	50,826,958	50,871,973
Sukuk	33.2.2	29,990,770	33,741,280
Employees' benefits obligation	25	8,304,084	7,938,396
Non-current portion of deferred revenue	26	68,829,879	63,854,362
Deferred government grants	27	1,398,714	1,525,987
Derivative financial instruments	33.3	79,611	489,521
Asset retirement obligations	28	-	269,644
Non-current portion of lease liabilities	10-b	60,650	56,406
Total non-current liabilities		159,490,666	158,747,569
Current liabilities			
Short term loans and facilities	33.2.1	15,285,553	13,849,551
Sukuk	33.2.2	3,750,750	10,418,540
Trade payables	29	3,188,684	2,988,268
Accruals and other payables	30	15,286,387	14,798,087
Provision for other liabilities and charges	31	1,506,271	1,492,601
Refundable deposits from customers		1,999,401	1,998,510
Payables to the government	32	-	4,570,538
Advance from subscribers	34	19,331,040	11,915,015
Current portion of deferred revenue	26	2,572,487	2,281,075
Current portion of lease liabilities	10-b	19,573	12,649
Liabilities related to assets held for sale	48	-	82,075
Derivative financial instruments	33.3	-	104,628
Total current liabilities		62,940,146	64,511,537
Total liabilities		222,430,812	223,259,106
Total equity and liabilities		479,481,536	474,882,774

The accompanying notes from 1 to 52 form an integral part of these consolidated financial statements.

Senior Vice President and Chief Financial Officer	Chief Executive officer	Chairman of the Board
Manish Manchandya	Khaled bin Hamad Al-Gnoon	Dr. Khaled bin Saleh AlSultan

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss for the year ended 31 December 2022
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Operating revenue	40	72,079,424	69,338,036
Cost of revenue	41	(52,319,607)	(48,796,076)
Gross profit		19,759,817	20,541,960
Other income / (expenses), net	43	1,214,120	(812,875)
Provision for receivable from consumption of electricity and other receivables, net	17,19	(1,378,475)	(1,074,931)
General and administrative expenses	42	(1,609,523)	(884,907)
Fuel settlement expense		-	(207,930)
Operating income for the year		17,985,939	17,561,317
Finance income		61,231	32,693
Finance expense		(2,741,896)	(2,591,619)
Finance costs, net	44	(2,680,665)	(2,558,926)
Share of (gain / loss) on equity accounted investees	13	307,749	(10,202)
Income for the year before zakat		15,613,023	14,992,189
Zakat expenses	35.1	(416,621)	(455,925)
Profit for the year from continued operations		15,196,402	14,536,264
Discontinued operations			
Loss for the year from discontinued operations	48	(61,178)	(145,393)
Profit for the year		15,135,224	14,390,871
Earnings per share (Expressed in SAR)			
Basic and diluted earnings per share	38	1.79	1.62
Basic and diluted earnings per share from continuing operations	38	1.81	1.65

Senior Vice President and Chief Financial Officer
Manish Manchandya

Chief Executive officer
Khaled bin Hamad Al-Gnoon

Chairman of the Board
Dr. Khaled bin Saleh AlSultan

The accompanying notes from 1 to 52 form an integral part of these consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of other comprehensive income for the year ended 31 December 2022
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Profit for the year		15,135,224	14,390,871
Other comprehensive income:			
Items that may be reclassified subsequently to statement of profit or loss:			
Cash flow hedges – effective portion		822,938	501,834
Joint Operations Adjustments (Reclassification of Comprehensive Income Items)		(126,321)	-
Total items that may be reclassified subsequently to statement of profit or loss		696,617	501,834
Items that will not be reclassified subsequently to statement of profit or loss:			
Re-measurement of employees' benefits obligation	25.1	451,122	(402,577)
Change in fair value of available-for-sale financial assets	46.3	5,956	3,761
Total items that will not be reclassified subsequently to statement of profit or loss		457,078	(398,816)
Other comprehensive income for the year		1,153,695	103,018
Total comprehensive income for the year		16,288,919	14,493,889

Senior Vice President and Chief Financial Officer	Chief Executive officer	Chairman of the Board
Manish Manchandya	Khaled bin Hamad Al-Gnoon	Dr. Khaled bin Saleh AlSultan

The accompanying notes from 1 to 52 form an integral part of these consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity for the year ended 31 December 2022
(All amounts in thousands Saudi Riyals unless otherwise stated)

				Other reserves								
	Share capital	Statutory reserve	General reserve	Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserve	Contractual reserve of Mudaraba Instrument	Retained earnings	Total equity before Mudaraba Instrument (1)	Mudaraba instrument (2)	Total equity (1+2)
Balance at 1 January 2021	41,665,938	4,153,366	702,343	(1,102,482)	282,996	76,988	(742,498)	927,375	33,147,465	79,853,989	167,920,563	247,774,552
Profit for the year	-	-	-	-	-	-	-	-	14,390,871	14,390,871	-	14,390,871
Other comprehensive income	-	-	-	501,834	(402,577)	3,761	103,018	-	-	103,018	-	103,018
Total comprehensive income	-	-	-	501,834	(402,577)	3,761	103,018		14,390,871	14,493,889	-	14,493,889
Transfer to Contractual reserve from retained earnings (note 23)	-	-	-	-	-	-	-	7,661,376	(7,661,376)	-	-	-
Mudaraba instrument dividends payment	-	-	-	-	-	-	-	(7,728,158)		(7,728,158)	-	(7,728,158)
Dividends paid to shareholders (note 22)	-	-	-	-	-	-	-		(2,916,615)	(2,916,615)	-	(2,916,615)
Transfer to statutory reserve	-	1,439,087	-	-	-	-	-		(1,439,087)	-	-	-
Balance at 31 December 2021	41,665,938	5,592,453	702,343	(600,648)	(119,581)	80,749	(639,480)	860,593	35,521,258	83,703,105	167,920,563	251,623,668
Balance at 1 January 2022	41,665,938	5,592,453	702,343	(600,648)	(119,581)	80,749	(639,480)	860,593	35,521,258	83,703,105	167,920,563	251,623,668
Profit for the year	-	-	-	-	-	-	-	-	15,135,224	15,135,224	-	15,135,224
Other comprehensive income	-	-	-	696,617	451,122	5,956	1,153,695	-	-	1,153,695	-	1,153,695
Total comprehensive income	-	-	-	696,617	451,122	5,956	1,153,695	-	15,135,224	16,288,919	-	16,288,919
Disposal of Principal Buyer adjustment	-	-	-	-	(795)	-	(795)	-	(41,386)	(42,181)	-	(42,181)
Disposal of Principal Buyer net asset (note 47)	-	-	-	-	-	-	-	-	42,976	42,976	-	42,976
Exclusion of Joint operation adjustment (note 13)	-	-	-	-	535	-	535	-	(285,201)	(284,666)	-	(284,666)
Transfer to Contractual reserve from retained earnings (note 23)	-	-	-	-	-	-	-	7,661,376	(7,661,376)	-	-	-
Mudaraba instrument dividends payment (note 23)	-	-	-	-	-	-	-	(7,661,376)	-	(7,661,376)	-	(7,661,376)
Dividends paid to shareholders (note 22)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Transfer to statutory reserve	-	1,513,522	-	-	-	-	-	-	(1,513,522)	-	-	-
Balance at 31 December 2022	41,665,938	7,105,975	702,343	95,969	331,281	86,705	513,955	860,593	38,281,357	89,130,161	167,920,563	257,050,724

The accompanying notes from 1 to 52 form an integral part of these consolidated financial statements

Senior Vice President
and Chief Financial Officer
Manish Manchanda

Chief Executive officer
Khaled bin Hamad Al-Gnoon

Chairman of the Board
Dr. Khaled bin Saleh AlSultan

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows for the year ended 31 December 2022
(All amounts in thousands Saudi Riyals unless otherwise stated)

	31 December 2022	31 December 2021
Cash flows from operating activities		
Profit for the year before zakat and tax	15,135,224	14,390,871
Adjustments for:		
Depreciation of property, plant and equipment	19,250,895	19,625,688
Depreciation of investment property	2,741	3,452
Amortization of intangible assets	68,931	66,133
Finance costs, net	2,680,665	2,558,926
Employees' benefits obligation	1,396,345	723,770
Provision for receivable from consumption of electricity and other receivables, net	1,378,475	1,074,931
Provision for slow moving and obsolete inventory	110,098	(50,463)
Share of (profit) / loss on equity accounted investees	(307,749)	10,202
Amortization of deferred government grant	(127,273)	(69,393)
Provision for other liabilities and charges	41,328	784,668
(Gain) / loss on disposal of property, plant and equipment	46,576	(48,576)
Impairment (gain) / loss of property, plant and equipment	(615,680)	863,438
Zakat and deferred income tax expense	416,621	455,925
Depreciation of right of use assets	16,074	63,224
Cash flows after adjustment of non-cash items	39,493,271	40,452,796
Changes in working capital:		
Inventories, net	(199,621)	901,370
Receivables from sale of electricity, net	(10,908,956)	(3,306,632)
Prepayments and other receivables	492,457	(1,147,490)
Loans and advances	(593,771)	94,806
Trade payables	136,272	(37,726)
Accruals and other payables	3,253,568	3,231,700
Refundable deposits from customers	891	952
Advances from customers	7,416,025	(795,138)
Deferred revenue	4,521,542	7,491,004
Employees' benefits obligation paid	(738,263)	(491,230)
Cash generated from operating activities	42,873,415	46,394,412
Zakat paid	(438,399)	(110,793)
Net cash generated from operating activities	42,435,016	46,283,619
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,802,239)	(26,164,346)
Proceeds from sale of property, plant and equipment	126,664	138,332
Payments for intangible assets	(13,072)	(5,542)
Proceeds from investment in equity accounted investees	11,302	-
Proceeds from financial investments carried at amortized cost	2,546	3,040
Repayment to an affiliated company	-	(15,000)
Derecognition of cash at Independent Power Producer companies (IPPs)	(337,470)	
Cash classified as investment held for sale	-	(16,257)
Net cash used in investing activities	(30,012,269)	(26,059,773)
Cash flows from financing activities		
Proceeds from borrowings	32,958,000	14,910,233
Receipts of government grant	-	506,003
Payment of lease obligation	(33,924)	(68,211)
Repayments of loans and Sukuk	(34,149,074)	(19,575,354)
Dividends paid	(2,902,560)	(2,931,925)
Payment for contractual reserve	(7,661,376)	(7,728,158)
Net finance costs paid	(3,714,245)	(3,632,270)
Net cash used in financing activities	(15,503,179)	(18,519,682)
Net change in cash and cash equivalents	(3,080,432)	1,704,164
Cash and cash equivalents at the beginning of the year	6,243,256	4,539,092
Cash and cash equivalents at end of the year	3,162,824	6,243,256

-The impact from non-cash transactions referred in Note 50.
The accompanying notes from 1 to 52 form an integral part of these consolidated financial statements.

Senior Vice President and Chief Financial Officer	Chief Executive officer	Chairman of the Board
Manish Manchandya	Khaled bin Hamad Al-Gnoon	Dr. Khaled bin Saleh AlSultan

1 Corporate information

The Saudi Electricity Company ("Company") was formed pursuant to the Council of Ministers' Resolution Number 169 dated 11 Sha'ban 1419H corresponding to 29th November 1998, which reorganised the Electricity Sector in the Kingdom of Saudi Arabia by merging all local companies that provided electricity 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) into the Company.

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

The Company's principal activities are generation, transmission and distribution of electricity. The Company is the major provider of electricity all over the Kingdom of Saudi Arabia, serving governmental, industrial, agricultural, commercial, and residential consumers.

The Company is a tariff-regulated company for provision of electricity. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Water & Electricity Regulatory Authority (the "Authority") which was established on 13th 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 28th 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 5th October 2009, which granted the Board of Directors of the Water & Electricity 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 electricity consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1st July 2010.

On 17th Rabi Awal 1437H corresponding to 28th December 2015, Council of Ministers issued its resolution (Number 95), to increase price of electricity effective from 18 Rabi Awal 1437H corresponding to 29th December 2015, and to increase electricity consumption tariff for all categories with the highest band being 32 Halala per Kilowatts/hour, which came into effect from 1 Rabi Thani 1437H corresponding to 11th January 2016.

On 24 of Rabi Awal 1439H corresponding to 12 December 2017, the Council of Ministers issued a resolution (Number 166) to increase the prices of electricity and electricity consumption rates for some categories of subscribers with the highest band being 30 Halala per Kilowatts/hour. This change was effective from 1 January 2018 without referring to the previous highest band of 32 Halala. According to Royal Decree No. 14006 dated 23 Rabi 'al-Awwal 1439 H corresponding to 11 December 2017, the Saudi Electricity Company shall pay a government fee equivalent to the difference between the previous and the new tariffs. On 21 of Rabi Awal, 1442 (corresponding to 7th November 2020) Royal Decree No. (16031) was issued to cancel the government fee.

On 29 of Rabi Al Awwal 1442H corresponding to 15th November 2020, the Minister of Energy, Chairman of the Ministerial Committee issued a letter (Number 2057) for restructuring the electricity sector and cancellation of the government fee as of 1 January 2021, with the aim to restructure the electricity sector in Saudi Arabia and approved the mechanism of revenue of Saudi Electricity Company.

Pursuant to Royal Order No. 2719 - dated 14/01/1438 corresponding to 15th October 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to 27th January 2020, the balancing account has been activated by the Ministry of Finance starting from 2019.

1 Corporate information - continued

In line with the letter; No. 2057-dated 29 Rabi Awal 1442 corresponding to 15th November 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector. The required revenue for the Company is calculated based on an asset base model adjusted for regulatory return on the weighted regulatory return for the cost of capital for the years 2021-2023. The required revenue is subject to adjustment as per the revenue and payments correction methodology in line with the actual figures achieved. The Company re-estimates the required revenue and the expected revenue to record the difference required recorded for the period based on the actual achieved results and make the necessary adjustments, if any.
On 14 Safar 1443H, corresponding to 21st September 2021, the Council of Ministers Resolution (No. 111) was issued approving the tariff for heavy consumption of electricity that will be applied to establishments operating in qualified activities or sectors and belonging to the categories of industrial, commercial and agricultural consumption - which are determined by a committee formed under the chairmanship of the Ministry of Energy to determine the applicable sectors for this tariff. By submitting a request to the consumer to apply the tariff to their facility. The tariff for heavy consumption will be in two categories: the first category is establishments operating in activities or sectors in which the ratio of electricity cost to operating costs without raw material costs is (20%) or more, second category is facilities operating in activities or sectors in which the ratio of electricity cost to operating costs without raw material costs is between (10%) and (19.9%) The tariff is applied according to the category of the facility and does not exceed the tariff of the category to which it belongs. This decision will be implemented as of 1 January 2023. The Group's management is in the process of assessing the impact of this on the Company's revenues and business results in future periods.

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

Saudi Electricity Company will be referred to as ("Company") or together with its subsidiaries as ("Group") throughout the financials.

The address of its registered headquarter is located in Riyadh, Kingdom of Saudi Arabia.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

3 Changes in accounting policies and disclosures

New standards and amendments issued but not yet effective

There are no new standards issued, however, there are a number of new amendments that are effective for annual periods beginning after 1 January 2023 and earlier application is permitted, however, but the Company has not early adopted the new or amended standards when preparing these consolidated financial statements:

- Classification of liabilities as current and non-current (amendment to IAS 1).
- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts.
- Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17).
- Lease obligations in sale and leaseback transactions
- Amendments to IFRS 16
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax relating to assets and liabilities arising from a single transaction (Amendments to IAS 12)

4 Measurement basis

The consolidated financial statements have been prepared on a historical cost basis, except for:

- financial assets through other comprehensive income, financial assets and financial liabilities including derivative financial instruments and Mudaraba instrument that are measured at fair value;
- employees' benefits obligations at the present value of future obligations using the projected unit credit method, and by using accounting accrual and going concern basis.

4 Measurement basis – Continued

The functional currency and presentation

These consolidated financial statements of the Group have been presented in Saudi Riyal, which also represents the functional and presentation currency. All values are shown to the nearest thousand SAR unless otherwise stated.

5 Use of estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants. requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

5.1 Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following is the most important estimates used in preparing the consolidated financial statements:

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Going concern

The Group's management conducted an assessment of the Group's ability to continue to operate in accordance with the principle of going concern and reached a conviction that the group has sufficient resources to enable it to continue operating in the foreseeable future. Also, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

5 Use of estimates, assumptions and judgements - continued

5.1 Use of estimates and assumptions - continued

Provision for impairment in inventories

Inventory is stated at cost or net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. A provision (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed to the extent not exceed the book value before impairment.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Useful lives of property, plant and equipment

The Group’s management determines the estimated useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management at least annually reviews the estimated useful lives and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

During the current period, the Group reviewed the useful life of all property, machinery and equipment, except for lands, which resulted in adjusting the useful life of those assets, and as a result, the depreciation of the aforementioned items was reduced by SAR 859 million for the year ended on 31 December 2022, and this resulted in a decrease in operating costs The increase in profits for the year is expected to have the same effect on depreciation by the same amount for each of the coming years (Note 9).

Residual value

The residual value of the asset represents the estimated amount that the entity will receive from the disposal of the asset less the estimated disposal costs, if the asset is indeed of age and in the condition it is expected to be in at the end of its useful life.

The management reconsider the residual value of the asset at least at the end of each financial year, and if expectations differ from previous estimates, this is treated as a change in accounting estimate, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

Assumptions for employees’ benefits obligation

Employees’ benefits obligation represents obligations that will be settled in the future and require assumptions to project obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group’s management use an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees’ benefits costs incurred.

5 Use of estimates, assumptions and judgements - continued
5.1 Use of estimates and assumptions - continued

Zakat

The Company and its subsidiaries are subject to the legislation of the Zakat and Customs Authority (“ZATCA”). Accrual of Zakat is recognised in the consolidated statement of profit or loss. Additional zakat and tax liabilities, calculated by Authorities, if any, related to prior years zakat declaration is recognised in the year in which final declaration is issued.

Fair value for financial instrument

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

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

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When determining the fair value of financial instrument that are not traded in an active market because there is no market that can be monitored to provide pricing information on selling assets or transferring liabilities at the measurement date, the fair value measurement assumes that the transaction takes place on that date, taken into account from the perspective of a market participant who holds the asset or owes the obligation. This assumed transaction will provide the basis for estimating price to sell the asset or transfer the liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments that are measured at fair value or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the inputs used in the valuation techniques shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Accrued revenue

Accrued electricity revenue for the period that are not yet invoiced at the date of the reporting are recognized in the consolidated statement of financial position, which is calculated based on the actual consumption quantities issued within the invoices for the subsequent month and using estimates and assumptions for customers whose invoices were not issued in the month subsequently, and internal policies that depends fundamentally on management experience.

Projects under progress accrual

Capital projects in progress are recognised at cost, which represents the contractual liabilities of the Company to create assets (such as construction, industrial facilities, etc.). Cost of such assets is recognised as capital projects-in-progress and represented by the value of work performed, using the same principles as the assets acquired.

5 Use of estimates, assumptions and judgements – continued

5.1 Use of estimates and assumptions - continued

Provision for Expected Credit Loss ('ECL') for receivable

The Group applies the simplified and general method for assessing expected and specific credit losses under IFRS 9.

The Group uses the general model to estimate expected credit losses for government and semi-government entities and financial assets at amortized cost. Expected credit losses are calculated over 12 months, or projected credit losses over a lifetime in which the credit value has not decreased or the credit values has decreased, based on the change in the credit risk associated with the financial instrument.

The Group uses the simplified model using a provision matrix to measure the expected credit losses for trade receivables from individual customers, which consist of a very large number of small balances.

To measure expected credit losses, trade receivables are Grouped based on the characteristics of the joint credit risk and the days in which they are due. Historical loss rates are adjusted to reflect current and future information in accordance with indicators of macroeconomic activity that affect customers' ability to settle receivables. The Group has defined gross domestic product and inflation as primary inputs for adjusting historical loss ratios according to expected changes to these factors.

Discount rate for lease contract

The management uses estimates to determine the incremental borrowing rate for calculating the present value of the minimum lease payments.

5.2 Use of judgements in applying the Group's significant accounting policies

5.2.2 Equity Accounted Investment

Associate Companies
The Group determines the significant impact on companies that it owns directly or indirectly (for example through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (for example through subsidiaries), less than 20 % of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

Joint Operations and joint venture
A joint arrangement is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Based on the Group's control assessment, investments held in companies are classified as joint operations. or joint venture Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

(All amounts in thousands Saudi Riyals unless otherwise stated

6 Summary of significant accounting policies

6.1 Basis of consolidation of financial statements

6.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

Non-controlling interests are measured by their proportionate share of the identifiable net assets of the acquiree at the date of acquisition.

The Group re-assesses controls of the investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary is commenced when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date on which control ceases the share of income or loss and net assets not controlled by the Group are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. If the Group retains any share in the former subsidiary, that interest is measured at fair value on the date that control ceases.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. When necessary, accounting policies of the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

These consolidated financial statements have been prepared for the Saudi Electricity Company and its following subsidiaries and joint operations:

		Ownership in ordinary shares %		
Subsidiary Company's name	**Country of registration and place of business**	**31 December 2022**	31 December 2021	**Principal activity**
National Grid S.A. Company "Grid Company"	Kingdom of Saudi Arabia	**100**	100	Transmission
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	**100**	100	Telecommunication
Electricity Sukuk Company	Kingdom of Saudi Arabia	**100**	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	**100**	100	Projects Management
Saudi Electricity Global Sukuk Company	Cayman Islands	**100**	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	**100**	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	**100**	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	**100**	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	**100**	100	Financing
Saudi Electricity Company for the International Sukuk Program	Cayman Islands	**100**	-	Financing
Saudi Power Procurement Company	Kingdom of Saudi Arabia	**-**	100	Principal Buyer
Solution Valley Company (Business not commenced)	Kingdom of Saudi Arabia	**100**	-	Power service
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	**100**	100	Telecommunication
Saudi Energy Production Company (operating activity not commenced)	Kingdom of Saudi Arabia	**100**	100	Energy Generation

6 Summary of significant accounting policies - continued

6.1 Basis of consolidation of financial statements – continued

6.1.1 Subsidiaries - continued

These consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries referred to in the table above. The percentage of voting rights owned by the Company in subsidiaries is not different from that of the ordinary shares held. The financial year of the subsidiaries starts from the beginning of January and ends at the end of December of each calendar year. The following is a breakdown of the Saudi Electricity Company's subsidiaries:

1. The National Grid S.A. Company is a limited liability company registererd in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010306123 dated 29 Rabi Thani 1432H, (corresponding to 3 April 2011). NGS is wholly owned by Saudi Electricity Company. The Company is engaged in electricity transmission activities including operating, controlling and maintenance of the electricity transmission system and leasing of transmisson line capacity. The Company provides services to one customer (the Saudi Electricity Company).

   National Grid S.A Company was formed as a part of the Company’s plan to split its main activities into separate companies pursuant to the Board of Directors resolution no. 1/81/2008 dated 25 Dhul Hijjah 1429H corresponding to 23 December 2008 and resolution no. 1/86/2009 dated 7 Jumada Al Awal 1430H corresponding to 3 May 2009. Accordingly, the Company’s Board of Directors agreed on 1 January 2012 to transfer all of the Saudi Electricity Company tranmission activity’s assets and liabilities to National Grid S.A Company at their net book value as of 1 January 2012.

2. Dawiyat Telecom Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010277672 dated 25 Dhul-Hijjah 1430H (corresponding to 12 December 2009), in accordance with the Company’s articles of association dated 23 Jumad Thani 1430H (corresponding to 16 June 2009), and is wholly owned by Saudi Electricity Company.

   On 25 Rajab 1437H (corresponding to 2 May 2016), Dawiyat Telecom Company obtained license no. 37-20-001 to provide type (B) services from the Telecommunication and Information Technology Authority. The license period is for 10 Years that ends on 24/7/1447H.

   On 15 November 2022, the Shareholder’s General Assembly issued a decision to reduce the capital of Dawiyat Telecom Company to become one million Saudi riyals, in addition to reducing the statutory reserve to become 300,000 Saudi riyals. A decision was also issued to distribute dividends to the Saudi Electricity Company in the amount of SAR 46 million Saudi riyals, and the statutory procedures for that are being completed.

   Dawiyat Telecom Company main activity is the construction, leasing, managing and operating of electric and fibre optics networks to provide telecommunication services.

   Dawiyat Telecom Company obtained a license from the Communications and Information Technology Commission to provide rental services for communications facilities.

3. Electricity Sukuk Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010233775 dated 16 Jumad Awal 1428H (corresponding to 2 June 2007), ESC is wholly owned by Saudi Electricity Company.

   The principal activity of Electricity Sukuk Company is to provide support services required with respect to Sukuks issued by the Holding Company, its subsidiaries and other related companies, after obtaining the required approvals from relevant authorities.

   Electricity Sukuk Company (‘ESC’) was incorporated to act as a trustee of special assets (Sukuk assets) according to the agreements of transferring the Sukuk assets between ESC (as a trustee or custodian), the Company (as issuer) and SABB for financial instruments (as agent for the sukuk holders).

4. Saudi Electricity for Projects Development Company was established in the Kingdom of Saudi Arabia as a limited liability company. The company’s activity is to manage construction projects, develop detailed designs, purchase materials, and execute projects in the energy sector.

5. Saudi Electricity Global Sukuk Company was established in the Cayman Islands as a limited liability company, The company was established to provide the necessary services and support for the issuance of international bonds and Sukuks.

6. Saudi Electricity Global Sukuk Company – 2 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

6 Summary of significant accounting policies - continued

6.1 Basis of consolidation of financial statements – continued

6.1.1 Subsidiaries - continued

7. Saudi Electricity Global Sukuk Company – 3 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

8. Saudi Electricity Global Sukuk Company – 4 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

9. Saudi Electricity Global Sukuk Company – 5 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

10. Saudi Electricity Company for the International Sukuk Program was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.

11. The Group has established the Saudi Power Procurement Company, wholly owned subsidiary by the Saudi Electricity Company under Commercial Registration No. 1010608947 dated 31 May 2017. The main activity of the Company is to carry out the main buyer's activity in accordance with the provisions of the license issued by the Electricity and Co-Generation Regulatory Authority which includes offer power generation projects, purchasing and selling power and perform the related agreements.

    The Ordinary General Assembly was held on 30 January 2022, on 29 June 2022, the Saudi Electricity Company (the seller) concluded a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the Government represented by the Ministry of Finance and the Ministry of Energy (the buyer), provided that the sale value is paid equivalent to the book value of the net assets of the Saudi Power Procurement Company according to the financial statements at the end of the second quarter of 2022. Note 47

12. Dawiyat Integrated Company for Telecommunications and Information Technology is a limited liability company established in Kingdom of Saudi Arabia, Riyadh under the Company's Memorandum of Association on 23 Duhl Qida 1439 (corresponding to 5 August 2018) with C.R No 1010455797 and is fully owned by the Saudi Electricity Company.
    Dawiyat Telecom Company for Communications and Information Technology obtained from the Communications and Information Technology Commission a license to provide wholesale services for the infrastructure.
13. The Saudi Energy Production Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010656214, dated 3 Safar 1442 (corresponding to 20 September 2021), is wholly owned by the Saudi Electricity Company. The main activity is electrical power generation, water purification and water desalination.
14. Solutions Valley Company is a limited liability company established in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010830030 dated 3 Rabi' Awal 1444 AH corresponding to 29 September 2022 ,is wholly owned by the Saudi Electricity Company. The main activity is the purchase and sale of electrical system services, repair and maintenance of electrical transformers, equipments, distribution and control devices.

(All amounts in thousands Saudi Riyals unless otherwise stated

6 Summary of significant accounting policies – continued

6.1 Basis of consolidation of financial statements – continued

6.1.2 Joint Ventures and Equity-accounted investees

Companies in which the Company has the ability to exercise significant influence over operating and financial policies and joint venture are recorded in the consolidated financial statements using the equity method of accounting. The shares in associates and joint ventures are recognised using the equity method of accounting and are initially recognised at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share of income or loss and other comprehensive income of the investee companies using the equity method until the date that such significant influence or joint control ceases.

Significant influence is the power to participate in the investee's financial and operating policy decisions but is not control or joint control over those policies.

Based on the decision of the Ministerial Committee and on 1 July 2022, the Group has novated all Purchase Power Agreement (PPA's) related to Independent Power Producers to Saudi Power Procurement Company with the Saudi Electricity Company continuing to retain the same ownership percentages in those companies without change or any addition or paying any additional consideration. This has resulted in the Group discontinuing the application of the proportionate consolidation of the assets and liabilities of those said companies which were accounted as joint operations and from 1 July 2022 are being accounted for as Joint Ventures using the equity accounting method.

		Ownership percentage shares%	
Joint Ventures	*Country of registration and place of business*	*31 December 2022*	*31 December 2021*
Independent Power Producers			
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Global Data Hub Company	Kingdom of Saudi Arabia	50	50

		Ownership percentage shares %	
Equity-accounted investees	*Country of registration and activity*	*31 December 2022*	*31 December 2021*
Gulf Cooperation Council Interconnection Authority	Kingdom of Saudi Arabia	**31.6**	31.6
Gulf Laboratory Company for Electronical Equipment Inspection	Kingdom of Saudi Arabia	**25**	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	**30**	30
Saudi Green Company for Carbon Services	Kingdom of Saudi Arabia	**51**	51

Hajr for Electricity Production Company

Pursuant to the Board of Directors' Resolution No. 4/95/2010 dated 12th Ramadan 1431H corresponding to 22nd August 2010, the Group established Hajr for electricity production company (a closed joint stock company) with a share capital of SAR 2 million. During 2011, a new shareholder was admitted and the capital was increased by SAR 8 million to SAR 10 million, fully paid, resulting in the Group's share changing to 50%of total shareholder's equity. Furthermore during 2015, the Group contributed additional capital to Hajr for Electricity Production Company amounting to SAR 1,248 million. The additional contribution of capital was achieved by converting a loan previously granted by the Group, increasing the Group's share in Hajr for Electricity Production Company's equity to SAR 1,253 million.

6 Summary of significant accounting policies – continued

6.1 Basis of consolidation of financial statements – continued

6.1.2 Joint Ventures and Equity-accounted investees - continued

Rabigh Electricity Company

Pursuant to the Board of Directors' Resolution No. 06/76/2008 dated 26th Jumad Awal 1429H corresponding to 3rd June 2008, the Group established Rabigh Electricity Company (a closed joint stock company) with a share capital of SAR 2 million. During 2009, Rabigh Electricity Company increased its capital from SAR 2 million to SAR 10 million by admitting a new sharheolder and the Group's share changed to 20% of the total shareholder's equity.

During 2013, as per a shareholder's agreement, the Group contributed additional capitalto Rabigh Electricity Company amounting to SAR 183 million – by converting SARa loan previously granted by the Group, increasing the Group's share in Rabigh Electricity Company's equity to SAR 185 million.

Dhuruma Electricity Company

Pursuant to the Board of Directors' Resolution No. 4/88/2009 dated 18th Ramadan 1430H corresponding to 8th September 2009, the Group established Dhuruma Electricity Company (a closed joint stock company) with a share capital of SAR 2 million. During 2011, a new shareholder was admitted and the capital was increased by SAR 2 million to SAR 4 million. The Group's share represents 50% of the investee's share capital.

Al Mourjan for Electricity Production Company

Pursuant to the Board of Directors' Resolution No. 4/107/2012 dated 27th Rabi Awal 1433H corresponding to 19th February 2012, the Group established Al Mourjan for Electricity Production Company (a closed joint stock company) with a share capital of SAR 2 million. During 2013, a new shareholder was admitted and the capital was increased to SAR 10 million. The Group's share represents 50% of the investee's share capital.

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Global Data Hub Company:

Dawiyat Telecommunication Company established its Global Data Hub company on 11th September 2018 (50% ownership) in the Kingdom of Saudi Arabia. Its main activity is the extension of networks, extension and installation of computer networks, communications, operating systems, computer consultancy and computer facilities management services and information technology). The necessary licenses have been in process to be finalized and is being treated as a joint venture and accounted in the same way as equity investments.

Gulf Cooperation Council Inter-Connection Authority:

The Company has participated in the capital of the electrical interconnection of the GCC countries in order to enhance the utilization of the transmission and distribution of electric power among the member countries. The total value of participation at the date of incorporation was US $ 484.8 million, equivalent to SAR 1.8 billion.

Gulf Laboratory Company for testing electrical equipment:

Based on Ministerial Resolution No. (38 / S) dated 10 Safar, 1437 H corresponding to 10 November, 2016, the Gulf Laboratory Company for Testing Electrical Equipment (a closed joint stock company) was established with an authorized capital of 360 million Saudi riyals, the company's share amounted to 25% in the company's capital, and the founders paid an amount of 90 million Saudi riyals, and the company's share amounted to 22.5 million Saudi riyals, which was paid in full as on 31 December, 2016. During 2017, the entire capital of the company was paid to become 360 million Saudi riyals, and the company's paid share of the capital 90 million Saudi riyals as on 31 December 2017. During the year 2020, the company's capital was increased to 613 million riyals, and the paid share of the company is 153 million riyals, as on 31 December 2020. The company activities is representing in repairing and maintaining electrical transformers, testing and approving quality, product, laboratories for electrical, electronic, mechanical and metal products, measurement and calibration laboratories, verification of conformity and calibration of devices, equipment and materials used in manufacturing and production under the necessary industrial license.

6 Summary of significant accounting policies – continued

6.1 Basis of consolidation of financial statements – continued

6.1.2 Equity-accounted investees - continued

Al Fadhly Co-Generation Company:

Pursuant to the Board of Directors' resolution no. 5/143/2016 dated 17th Dhul-Hijjah 1437 H corresponding to 20th September 2016, Al Fadhly Co-Generation Company was established for dual production with a share capital of SAR 1.5 million. The Group's share represents 30% of the share capital. Net book value of investment represents net paid capital after deducting pre operating expenses. The main activity of the company is the production of electric power, steam, distilled water and conductive water.

Green Saudi Company for Carbon Services:

The Group participated with petroleum, chemicals and mining limited company (PCMC) in the establishment of Green Saudi Company for Carbon Services which is a limited liability company with a capital of SAR 1 million. The Group's share amounted to SAR 510 thousand represents 51% of the share capital of the Company. During 2020 the realized losses have been charged with an amount of SAR 510 thousand as at 31 December 2020.

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

6.2 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each respective entity operates (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency.

(ii) Foreign currency transaction

Foreign currencies are initially recorded at functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the dates of the initial transactions.

Foreign exchange differences resulting from the translation of deferred cash flow hedges are recognised to the extent that the hedge is effective in the statement of other comprehensive income.

6.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions.

6 Summary of significant accounting policies - continued

6.4 Property, plant and equipment

Property, plant and equipment (except land and projects under construction) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and projects under construction are carried at cost less any losses resulting from the accumulated impairment in value, if any. The cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by the management. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met, and costs incurred during the commissioning period, net of proceeds from sale of trial production.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/ components have a useful life different from the other parts and required to be replaced at different intervals, the Group shall recognise such parts as individual components of the asset with specific useful lives and depreciate them accordingly. Likewise, when a major overhaul (planned or unplanned) is performed, its directly attributable cost is recognised in the carrying amount of property, plant and equipment if the recognition criteria are satisfied. The useful life of a major overhaul is generally equal to the period up to the next scheduled overhaul. The carrying amount of the replaced part is derecognised. If the next major overhaul occurs prior to the planned date, any existing net book value of the previous major overhaul is expensed immediately. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date the item of property, plant and equipment is available for its intended use or in respect of self-constructed assets from the date such property, plant and equipment are completed and ready for the intended use. Depreciation on assets is calculated on a straight-line basis over the useful life of the asset as follows which have been updated during current year (Note 5-1):

Buildings	10 – 45 years
Machinery and equipment	5 – 40 years
Transmission and distribution network	5 – 50 years
Capital spare parts	10 – 25 years
Vehicles and heavy equipment	5 – 10 years
Others	5 – 30 years

Land and capital work in progress are not considered for depreciation. The property, plant and equipment' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at the end of each year.

An item of property, plant and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of retired, sold or otherwise derecognised property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset, and are recognised within ''Other Income, net'' in the consolidated statement of profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6 Summary of significant accounting policies - continued

6.5 Leases

As a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for financial consideration. The Group assess transfer of right of use by assessing the client have ability over use period with the following:

A. right to receive most of the economic benefits from using the determined assets.
B. right to control the determined asset.

The Group recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined based on a lease term.

At the commencement date, the lease liability is initially measured at the present value of the lease payment that are not paid at that date. The Group discounted lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the incremental borrowing rate.

After commencement date, the Group measure the liability by:
A. increasing the carrying amount to reflect the interest on lease liability
B. reducing the carrying amount to reflect the lease payment made; and
C. re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect modified or substantially fixed rent payment which re-measured when there are change in future lease payment generated from the change or modification on the rate used or there are change in the estimate of expected amount or the Group change its evaluation if the Group will purchase or extend or finalize.

Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to consolidated income statement if carrying value of the related asset is zero.

Short-term leases

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

Extension option

In case of lease contracts which offers the extension option, the Group assess if there is reasonably certainty to exercise an option when commencing the contract. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

6 Summary of significant accounting policies - continued

6.5 Leases – continued

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease' if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At the initial measurement of the finance lease contracts: The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

(a) Fixed payments;
(b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate;
(c) Any residual value guarantees provided to the Group by the lessee, a party related to the lessee or a third party unrelated to the Group that is financially capable of discharging the obligations under the guarantee; and
(d) The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

At subsequent measurement, the Group shall recognize finance income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in lease.

At the initial measurement of the operating lease contracts: The Group recognises lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

At the subsequent measurement, the Group applies IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

When the Group is an intermediate lessor, it accounts for it interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption, the sublease shall be classified as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the "other income".

6 Summary of significant accounting policies - continued

6.6 Investment properties

Investment properties are lands and building held for purposes other than using it in Group's operating activities. The Group holds investment properties for rental income and/or capital appreciation purposes. Investment properties are measured in accordance with the cost model and depreciation is calculated on straight line basis over the useful life:

Building	45 years

Investment properties are derecognized when they are sold or when they become occupied by the owner or if they are not held to increase their value.

6.7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation of intangible assets is calculated on a straight-line basis over the useful life of the asset as follows:

Software	10 years
Right-of-use pipeline	20 years

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in the useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired either individually or at the aggregated cash generating unit level.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

6.8 Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash generating unit, "CGU"). Non-financial assets other than goodwill that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period.

Intangible assets that have an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. Assets subject to amortisation/depreciation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable.

6 Summary of significant accounting policies - continued
6.9 Financial instruments

6.9.1 Financial assets

6.9.1.1 Recognition and initial measurement

A financial asset is initially measured (unless it is a trade receivable without a significant financing component) at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.9.1.2 Classification and subsequent measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income - debt investment; fair value through other comprehensive income - equity investment; or fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets at amortised cost

Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- -it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- -its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- -it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- -its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

6 Summary of significant accounting policies - continued

6.9 Financial instruments - continued

6.9.1 Financial assets – continued

6.9.1.2 Classification and subsequent measurement - continued

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through Consolidated profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss profit or loss. As at 31 December 2022, the Group does not have any of these assets.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss profit or loss. Any gain or loss on de-recognition of investment is recognized in consolidated statement of profit or loss.

Financial assets at fair value through other comprehensive income (Debt investments)

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss. As at 31 December 2022, the Group does not have any of these assets.

Financial assets at fair value through other comprehensive income (Equity investments)

These assets are subsequently measured at fair value. Dividends are recognised as income in the income statement. Any gain or loss on de-recognition or impairment of the investment is recognised in equity and will not be allowed to reclassify to the consolidated statement of profit or loss.

6.9.1.3 De-recognition

The Group derecognises a financial asset mainly (or derecognize part of the financial asset or part of similar financial assets) when:

- the contractual rights to the cash flows from the financial asset expire or;
- The Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or;
- Retains all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

6.9.1.4 Offsetting

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

6 Summary of significant accounting policies - continued

6.9 Financial instruments - continued

6.9.1 Financial assets – continued

6.9.1.5 Impairment of financial asset

The expected credit loss model applies to financial assets measured at amortized cost, and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of trade receivables for sale of electricity and financial assets mentioned above.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The methodology for recognizing impairment has been revised to confirm to the requirements of IFRS 9 for each of these asset classes.

The impact of the change in impairment methodology on the Group's equity is disclosed as follows:

1) *<u>Trade receivables</u>*
For trade receivables, the Group applies the simplified approach and general approach for expected credit losses prescribed by IFRS 9.

2) *<u>Financial assets (Investment in debit instruments)</u>*

Financial assets at amortized cost are considered for impairment provision and determined as 12 months expected credit losses.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investment at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future recoveries of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

An assessment is made as to whether the credit risk of a financial instrument has increased substantially since its initial recognition by taking into account the change in the risk of default occurring over the remaining life of the financial instrument.

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

6 Summary of significant accounting policies - continued

6.9 Financial instruments - continued

6.9.1 Financial assets – continued

6.9.1.5 Impairment of financial asset - continued

The Group believes that the credit risk on the financial instrument has not increased significantly since initial recognition if the instrument is identified as having a low credit risk at the reporting date. A financial instrument with a low credit risk is identified if: (i) the financial instrument has a low risk of default; and (ii) the borrower has a strong ability to meet its contractual cash commitments in the near term. (iii) adverse changes in long-term economic and trade conditions, but not necessarily, and a reduction in the borrower's ability to meet contractual cash flow obligations.

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

Provisions for losses on financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at fair value at other comprehensive income, the loss allowance is recognized in other comprehensive.

6.9.2 Financial liabilities

The Group classifies non-derivative primary liabilities in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

After initial recognition, the Group measures financial liabilities (other than financial liabilities which are measured at fair value through consolidated statement of profit or loss) at amortised cost. Amortised cost is the amount at which the debt was measured at initial recognition minus repayments, plus interest calculated using the effective interest method. The adjustments are calculated using the effective interest method. The difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the loan or borrowing.

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

6 Summary of significant accounting policies - continued

6.9 Financial instruments – continued

6.9.3 Derivative financial instruments and hedging activities

The Group classifies a financial instrument as an equity financial instrument when there is no contractual evidence of a residual interest in the assets
The company, after deducting all its obligations in accordance with the relevant agreements, such as financial instruments issued without redemption dates that do not result in
It has a contractual obligation for the Group to pay any profits to the holders of the financial instrument and not to deliver cash or any other financial asset to another entity.

The equity instrument is initially recognised at fair value, and differences between the face value and the current value are recognised in consolidated equity

All related distributions are recognised in the consolidated statement of changes in equity under retained earnings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the consolidated statement of other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss within 'Other income / expense- net'.

Amounts accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects statement of profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of profit or loss within 'Finance income/cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within 'Other income - net'.

6.10 Employees' benefits

Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits. Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under "accruals and other payables" in the consolidated statement of financial position.

6 Summary of significant accounting policies - continued

6.10 Employees' benefits - continued

Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labour Law. The entitlement to these benefits, is based upon actuarial techniques and the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Defined contribution plan

The Company operates the defined contribution plan which named the savings plan. The Company's contribution to the contribution plans identified as an expense is recognised in the consolidated statement of profit or loss when the related service is provided. The share of the company will only be paid at the written request of the employee to terminate the plan or upon retirement, death or full disability of the employee in accordance with the approved regulations. The assets of the plan are accounted for in accordance with the Company's accounting policies where the liabilities and assets of the plan were offset.

Termination benefits

The Group pays termination benefits upon the termination of the employee's services before the date of normal retirement, or when the employee accepts the voluntary termination of his services. The Group recognises termination benefits at the earlier of when;

a. The Group can no longer withdraw the offer; or
b. The Group recognises restructuring costs and includes termination benefits in the event of an offer to encourage retirement, termination benefits are measured based on the number of employees expected to accept the offer. Benefits that occur more than 12 months after the end of the reporting period are discounted at their present value.

6 Summary of significant accounting policies - continued

6.11 Asset retirement obligation

The Group records the present value of estimated costs of legal decommissioning obligations required to restore the site to its original condition in the period in which the obligation is incurred. The nature of these activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and waste sites, restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent that it was incurred as a result of the development / construction of the asset.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss as part of financial charges.

6.12 Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. In the particular case the Company is tariff-regulated. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants, including non-monetary grants at fair value are recognised provided that there is a reasonable assurance that:

- The Group will comply with the conditions attaching to them; and
- The grants will be received.

Receipt of a grant does not itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Therefore, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability towards the government.

The Company assesses the relationship between the grant and related expenses when it is recognised
A provision of the estimated-results obligations is provided if it seems probable to pay the grant that was recognised previously.

Government grants related to depreciable assets are recognised in the consolidated statement of profit or loss over the periods and on the basis of the percentages used to recognise the depreciation expenses of the underlying assets.

Government grants related to non-depreciable assets which require the attainment of certain obligations are recognised in the consolidated statement of profit or loss over the periods where the cost of achievement of obligations are incurred.

However, grants relating to non-depreciable assets that are unconditional of the attainment of some obligations are recognised in the consolidated statement of profit or loss at their nominal values in the same period.

The accounting treatment of below-market interest rate loans are recognised as: the difference between the nominal value of the loan and its fair value is recognised within non-current liabilities in the consolidated statement of financial position as a deferred government grant.

6 Summary of significant accounting policies – continued

6.12 Government grants -continued

The government grant is recognized by the Group, which becomes payable as a compensation for expenses or losses already incurred, which represents the coverage of the gap in the actual and estimated operating income or for the purpose of providing immediate financial support to the Group without future costs related to it in the Group's consolidated statement of profit or loss. The Company assesses the relationship between the grant and related expenses upon recognition.

The grant is recognized in the consolidated statement of profit or loss even if there are no conditions specifically related to the Group's operating activities other than the requirement for the Group to operate in certain industrial regions or sectors.

6.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense.

6.14 Deferred revenue

Deferred revenue relates to electricity service connection tariffs received from consumers which are deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the consumers, estimated 35 years.

6.15 Zakat

The Company and its subsidiaries are subject to Zakat according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("the Authority"). Zakat is recognised in the consolidated statement of profit or loss of the Group. Additional Zakat liabilities, calculated by the Authority, if any, relating to the prior year's zakat declaration is recognised in the year in which final declaration is issued.

6.16 Withholding tax

The Group deducts taxes on certain transactions with non-resident entities in the Kingdom of Saudi Arabia according to the Saudi Income Tax Law.

6 Summary of significant accounting policies - continued

6.17 Dividend distribution

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

6.18 Statutory reserve

In accordance with the Holding Company's Articles of Association, the Holding Company is required to transfer 10% of the net consolidated income to the statutory reserve until this reserve reaches 30% of the capital.

6.19 Revenue recognition

The Group recognises the following revenues from contracts with customers:

- Revenue from sale of electricity;
- Revenue from meter reading, maintenance and preparation of bills preparation;
- Revenue from electricity connections;
- Revenue from transmission system; and
- Other operating revenue.

The Group recognises revenue when it transfers control of a good or service to a customer either over time or at a point in time. When connecting electricity to customers, the Group provides the following services:

- Connecting the customer to the electricity grid;
- Supply of electricity
- The right of the customer to use the meter;
- Maintenance of the meter.

For the purpose of recognizing revenue in accordance with IFRS 15, the above-mentioned services are not separate services or goods but (collectively referred to as "bundled services") are considered as single performance obligation for all services or goods secured by the bundled services. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

6.19.1 Revenue from sale of electricity

Revenue from sale of electricity is recognised in the accounting period in which the services are rendered. Revenue from sale of electricity is recognised when customers are invoiced for their electricity consumption measured in kilowatt / hours. Since electricity has no form or shape of its own, the transfer of control is evidenced when a particular bill is generated which forms the basis of consumption of the electricity for the month. There is no volume discounts or variable consideration and there is no unfulfilled obligation that could affect the acceptance of the goods and services.

The performance obligation underlying the revenue stream is not a separate performance obligation and forms part of the bundle services in form of provision of electricity to customers. The payment for such service is due after transfer of the services. Therefore, revenue is recognised at a point in time once the services are transferred to the customer and bills are issued. Electricity sales receivable for the period not yet invoiced at the reporting date are recognized in the consolidated income statement.

6.19.2 Revenue from meter reading, maintenance and preparation of bills

Revenue from meter reading, maintenance and preparation of bills is recognised in the accounting period in which the services are rendered. Revenue from meter reading, maintenance and preparation of bills represents the monthly fixed tariff based on the capacity of the meter used by the consumers. For this fixed-price obligation, revenue is recognised based on the actual service provided until the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Revenue from meter reading, maintenance and bills preparation tariff that is not billed as at the reporting date is recognised in the consolidated income statement.

6 Summary of significant accounting policies - continued

6.19 Revenue recognition - continued

6.19.3 Revenue from electricity connections

Electricity service connections received from consumers is deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the subscribers. Such connection fee is received once from a customer at the time the customer applies for electricity connection.

The electricity connection fee does not represent a separately identifiable component of the contract to provide ongoing access to the supply of electricity to the customer and it is part of the aforementioned bundle of services provided to customer. The revenue recognition policy is to recognise revenue from such electricity connection fee over the useful lives of the equipment used in serving the subscribers.

6.19.4 Revenue from transmission system

Revenue from transmission system comprises of fees for use of transmission networks and is recognised over the time when bills are issued to licensed co-generation and power providers. Revenue is measured based on the fees approved by Electricity and Co-generation Regulatory Authority according to capacity and quantities of power transmitted.

6.19.5 Other operating revenue

Other operating revenue comprises of operation and maintenance revenue related to lease of fibre optic cables, sale of water, oil, penalty, re-connection, disconnection charges, etc. The revenue is recognised upon satisfaction of the related performance obligation.

Required Revenues is determined by the regulator calculated based upon the forecast determined basis “General Framework of Revenue Requirement Determination Methodology” as published by the regulator “Water & Electricity Regulatory Authority” (WERA). The difference between Allowed Required revenue and the forecasted actual revenue is defined as “Balancing account” by the regulator. This is recorded under “Other Operating Revenues” by the group.

The Group reassesses the reasonableness of balancing account revenue recognized basis the regulatory methodology and adjusts it accordingly, when required. Any difference arising from the re-assessment is adjusted to other operating revenue, and a receivable or payable is recognized for that amount. Interest income or expense on such receivable or payable balance is recognized based on the rate determined by the authority (WERA).

The Regulator reassess the Required Revenue on ex post basis based on actual performance during the subsequent years and the group adjusts its assessment accordingly.

6.20 Dividend income from investments

Dividend income is recognised when the right to receive payment is established.

6.21 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of constructing a qualifying asset. The amount of borrowing costs that the Group capitalises during a period does not exceed the amount of borrowing costs it incurs during that year.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the year in which they are incurred.

6 Summary of significant accounting policies - continued

6.22 Segments reporting

An operating segment is one of the Group components which carries out operating activities through which it can earn revenues or incur expenses (including revenues and expenses related to transactions with other components of the same Group), where its operating results are regularly reviewed by the entity's operating decision maker regarding the resources that will be allocated to the segment and to evaluate its performance and which have separate financial information available.

An operating segment may carry out activities from which it has not earned revenues yet. For example, pre-operating transactions can be considered as operating segments before they earn revenues.

6.23 Fair value

Fair value is the price that may be received against the sale of an asset or the conversion of an obligation in an organized transaction between the market participants on the measurement date. The fair value measurement is based on the assumption that the transaction for the sale of the asset or the transfer of the obligation can occur either:

- In the primary market of the asset or obligation or
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the consolidated financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Evaluation techniques where the lowest entry level is important for measuring fair value directly (such as price) or indirectly (derived from price);
- Level 3 - Evaluation techniques where the lowest input level cannot be monitored is important for fair value measurement.

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

6.24 Inventories

Inventories include material and supplies for generation, transmission and distribution business and other materials.

Inventories are initially measured at cost which comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The Group uses the weighted average cost method to value its inventories. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the year.
Subsequent to initial recognition, inventories are to be measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6.25 Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle obligation or the amount of obligation cannot be measured with sufficient reliability. The Group do not recognise the contingent liabilities but only disclose them in the notes to the consolidated financial statements.

6 Summary of significant accounting policies - continued

6.26 Equity instruments

The Group classifies a financial instrument as an equity instrument according to the content of the agreements entered and the definition of the equity instrument. An equity instrument is any contract that proves the existence of a residual share in the assets of the entities, according to the relevant agreements, and does not include any liability to deliver cash or other financial assets to another entity.

The equity instrument is initially recognised at fair value, and differences between the face value and the current value are recognised in consolidated equity.

All related distributions are recognised in the consolidated statement of changes in equity under retained earnings.

Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

6.27 Asset held for sale and its related liability

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, available for sale rather than through continuing use, and in its present condition subject only to the normal and recognized terms of sale. Those assets and the sale is considered highly probable, and are measured at the lower of their carrying value and fair value less costs to sell. Any impairment losses in the disposed companies are allocated first to the goodwill and then the remaining assets or liabilities on a pro-rata basis. Excluding assets such as deferred tax assets, inventory, assets arising from employee benefits, financial assets, investment properties carried at fair value and contractual rights under insurance contracts, whichever is less, which are treated and measured in accordance with the Group’s accounting policies

An impairment loss is recognized for any initial or subsequent reduction of the asset (or disposal group) to its fair value less costs to sell, any gain for any subsequent increases in fair value is recognized less costs to sell the asset (or disposal group), but not in excess of any impairment loss Previously recognized cumulative gain or loss that was not previously recognized on the date of sale of the non-current asset (or disposal group) is recognized on the date of disposal.
Non-current assets (including those that form part of a disposal group) are not depreciated or amortized while they are classified as held for sale, and interest and other expenses attributable to the liabilities of the disposal group that are classified as held for sale continue to be recognized.
Non-current assets classified as held for sale and disposal group assets classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Liabilities of disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.
A discontinued operation is a component of an entity that has been disposed of or classified as held for sale that is a separate major line of business or a separate geographical area of operations and is part of a single coordinated plan to dispose of that business or area of operations, or a subsidiary acquired exclusively for the purpose of its resale, the results of discontinued operations are presented separately in the consolidated statement of profit or loss.

6.28 Earning per share

Basic earnings per share is calculated by dividing the profit for the year and the profit for the year from continuing operations related to the company’s shareholders, minus the profits of the mudaraba instrument by the weighted average number of ordinary shares during the year. Diluted earnings per share is calculated by dividing the profit for the year and the profit for the year from continuing operations by the adjusted weighted average number of ordinary shares outstanding during the year assuming the conversion of all dilutive shares into ordinary shares.

7 Seasonal changes

The Group's activity and revenues are affected by seasonality due to change in weather conditions during the year. The Group's revenues are significantly reduced during the winter months due to lower power consumption while revenue increases during the summer months due to the increase in electricity consumption due to higher temperatures in the summers. These changes are reflected in the interim financial results of the Group during the year.

8 Segment reporting and future structure of the Group's activities

The main operating activities of the Group are divided into generation, transmission, distribution and subscriber services which are complementary to each other in the production and delivery of electricity to the consumers. The Group's revenues are currently realized from the sale of energy to the final consumer according as per the official rate set for the system. All operations are carried out within the Kingdom.

The main actions of each activity are as follows:

Generation: Production and sale of electricity.
Transmission: Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.
Distribution and Subscriber Services: Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.

The Saudi Electricity Company ("the seller") entered into a sale and purchase agreement on 29 June 2022 to sell its share 100% of ownership in Saudi Power Procurement Company ("SPPC") to the Government represented by Ministry of Finance and Ministry of Energy (together referred to as "the Buyer") followed by, the transfer of power purchase agreements with independent power producers by the Saudi Electricity Company to the Saudi Power Purchase Company starting from 1 July 2022 onward. This sale aims to establish transparency in commercial relationships between parties operating in the electricity sector and to activate economically viable work mechanisms on an economic basis, which contributes towards achieving the objectives of the electricity sector in the Kingdom, including reducing the use of fossil fuels, raising the level of environmental compliance, and enhancing the reliability of electricity transmission and distribution networks and enabling the production of electricity from renewable energy sources in order to achieve the objectives of the optimal energy mix for electricity production, improve and automate distribution networks, to achieve the desired goals, and raise the level of quality of services provided to consumers in line with the objectives of the Kingdom's Vision 2030 Accordingly, the consolidation of the financial statements of the Saudi Power Procurement Company, and the proportionate consolidation of assets and liabilities of independent Power Producer have been discontinued as indicated in Note 13, and Note 47, and those balances have been excluded from the segmental information as on 31 December 2022.

The Group is working on implementing an integrated plan aimed at separating the activities into independent companies, as part of the Kingdom's plan to restructure the electricity set up in the Kingdom, and work is underway to develop legal arrangements for it.

The financial information presented in the following table is presented as follows:

A. The financial information of the Saudi Electricity Company in the following schedule includes the generation activities, distribution and subscribers' services, as procedures are still underway to separate the generation and distribution activities - until the date of preparing these condensed consolidated interim financial statements - within the Company's integrated plan for the separation. The discontinued operations pertaining to the principal Buyer (Saudi Power Procurement Company) were presented and included within the Saudi Electricity Company financial statements.

B. For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
C. For other segments includes the telecommunication activities sector in addition to and joint operation till 30 June 2022. (For joint operation only)

(All amounts in thousands Saudi Riyals unless otherwise stated)

8 Segment reporting and future structure of the Group's activities – continued

For the year ended 31 December 2022 - in SAR Million

	Saudi Electricity Company	National Grid S.A Company	Other subsidiaries	Intercompany transactions	Total
Revenue					
External consumers	71,574	-	534	(29)	72,079
Between sectors	-	18,182	699	(18,881)	-
Total revenue	**71,574**	**18,182**	**1,233**	**(18,910)**	**72,079**
Cost of sales					
Fuel	(3,736)	-	-	-	(3,736)
Purchased energy, net	(15,577)	-	-	-	(15,577)
Operating and maintenance costs	(30,105)	(2,599)	(239)	18,828	(14,115)
Depreciation - Operation and Maintenance	(11,137)	(7,341)	(426)	28	(18,876)
Depreciation - Right of Use	(16)	-	-	-	(16)
Total cost of sales	**(60,571)**	**(9,940)**	**(665)**	**18,856**	**(52,320)**
General and administrative expenses	(920)	(99)	(166)	-	(1,185)
Depreciation - general and administrative	(425)	-	-	-	(425)
Total general and administrative expenses	**(1,345)**	**(99)**	**(166)**	**-**	**(1,610)**
Other revenue / (expenses), net	1,979	40	116	(921)	1,214
Provision for receivable from consumption of electricity and other receivables, net	(1,260)	(93)	(25)	-	(1,378)
Finance cost, net	(2,452)	(926)	(203)	901	(2,680)
Share of profit from investments in equity-accounted investees	308	-	-	-	308
Zakat expenses	(405)	-	(12)	-	(417)
Loss from discontinued operation	(135)	-	-	74	(61)
Profit for the year	**7,693**	**7,164**	**278**	**-**	**15,135**
As at 31 December 2022					
Property, plant and equipment	**264,069**	**170,802**	**3,212**	**-**	**438,083**
Total assets	**420,204**	**171,291**	**3,690**	**(115,703)**	**479,482**
Total liabilities	**170,362**	**155,943**	**1,766**	**(105,640)**	**222,431**

(All amounts in thousands Saudi Riyals unless otherwise stated)

8 Segment reporting and future structure of the Group's activities – continued

For the year ended 31 December 2021 - in SAR Million

	Saudi Electricity Company	National Grid S.A Company	Other subsidiaries	Intercompany transactions	Total
Revenue					
External consumers	69,022	-	371	(55)	69,338
Between sectors	-	17,681	-	(17,681)	-
Total revenue	69,022	17,681	371	(17,736)	69,338
Cost of sales					
Fuel	(7,682)	-	-	-	(7,682)
Power purchase	(9,710)	-	-	-	(9,710)
Operating and maintenance costs	(27,811)	(2,254)	(40)	18,031	(12,074)
Depreciation - Operation and Maintenance	(11,591)	(7,609)	(122)	55	(19,267)
Depreciation - Right of Use	(63)	-	-	-	(63)
Total cost of sales	(56,857)	(9,863)	(162)	18,086	(48,796)
				-	
General and administrative expenses	(248)	(121)	(88)	-	(457)
Depreciation - General and administrative	(428)	-	-	-	(428)
Total general and administrative expenses	(676)	(121)	(88)	(663)	(885)
Other revenue / (expenses), net	(238)	5	83	-	(813)
Provision for receivable from consumption of electricity and other receivables, net	(1,045)	-	(30)	-	(1,075)
Fuel settlement expense	(208)	-	-	-	(208)
Finance cost, net	(2,542)	(662)	-	645	(2,559)
Share of loss from investments in equity-registered companies	(10)	-	-	-	(10)
Zakat expenses	(266)	(179)	(11)	-	(456)
Loss from discontinued operation	187	-	-	(332)	(145)
Profit for the year	7,367	6,861	163	-	14,391
As at 31 December 2021 (in million Saudi riyals)					
Property, plant and equipment	264,749	171,160	2,822	-	438,731
Total assets	423,220	171,662	3,313	(123,313)	474,882
Total liabilities	218,939	113,532	1,901	(111,113)	223,259

(All amounts in thousands Saudi Riyals unless otherwise stated)

9 Property, plant and equipment, net

	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network	Vehicles and heavy equipment	Others	Construction work in progress	Total
Cost:									
At 1 January 2021	**5,287,159**	**61,320,400**	**187,316,914**	**6,711,096**	**362,466,318**	**1,661,340**	**6,811,461**	**64,179,443**	**695,754,131**
Additions	732,098	4,549,272	8,356,554	362,278	24,811,691	50,202	8,478	21,718,170	60,588,743
Transfers from work in progress	-	-	-	-	-	-	-	(38,056,002)	(38,056,002)
Reclassifications	(3,203)	(919,626)	443,947	59,246	590,027	536	(170,927)	-	-
Transferred to assets held for sale (Note 47)	-	-	-	-	-	-	-	(1,746)	(1,746)
Disposals	-	(88,551)	(954,643)	(6,968)	(106,744)	(37,594)	(8,543)	-	(1,203,043)
At 31 December 2021	**6,016,054**	**64,861,495**	**195,162,772**	**7,125,652**	**387,761,292**	**1,674,484**	**6,640,469**	**47,839,865**	**717,082,083**
Additions	245,790	1,435,690	2,245,782	303,342	18,974,624	798	9,451,949	27,388,426	60,046,401
Transfers from work in progress	-	-	-	-	-	-	-	(31,945,319)	(31,945,319)
Reclassifications		3,374,875	2,183,965	(217,182)	3,925,166	471	(9,267,295)		-
Disposals		(47,705)	(1,447,923)	(22,111)	(366,864)	(683)	(1,554)		(1,886,840)
Exclusion of Joint operation (note 13)	-	(810,331)	(11,473,578)	(209,652)	-	(1,018)	(4,479)	(12,638)	(12,511,696)
At 31 December 2022	**6,261,844**	**68,814,024**	**186,671,018**	**6,980,049**	**410,294,218**	**1,674,052**	**6,819,090**	**43,270,334**	**730,784,629**
Accumulated depreciation									
At 1 January 2021	**-**	**24,966,706**	**87,283,614**	**3,403,588**	**137,601,684**	**1,486,263**	**4,232,946**	**-**	**258,974,801**
Depreciation for the year	-	1,912,100	6,616,569	212,086	10,407,547	60,925	416,441	-	19,625,668
Reclassifications	-	(4,044)	(2,447)	3,037	9,224	242	(6,012)	-	-
Impairment loss PP&E	-	-	848,626	-	14,585	227	-	-	863,438
Disposals	-	(82,080)	(895,630)	(6,688)	(82,813)	(37,589)	(8,486)	-	(1,113,286)
At 31 December 2021	**-**	**26,792,682**	**93,850,732**	**3,612,023**	**147,950,227**	**1,510,068**	**4,634,889**	**-**	**278,350,621**
Depreciation for the year	-	1,941,153	6,489,049	350,069	10,057,371	48,681	364,572	-	19,250,895
Reclassifications	-	13,427	68,686	(77,937)	(4,653)	(191)	668	-	
Impairment loss PP&E	-		(615,681)					-	(615,681)
Disposals	-	(43,121)	(1,393,237)	(20,799)	(254,166)	(654)	(1,504)	-	(1,713,481)
Exclusion of Joint operation (note 13)		(140,599)	(2,382,679)	(43,666)	-	(722)	(3,322)	-	(2,570,988)
As at 31 December 2022	**-**	**28,563,542**	**96,016,870**	**3,819,690**	**157,748,779**	**1,557,182**	**4,995,303**	**-**	**292,701,366**
Net book value									
As at 31 December 2021	6,016,054	38,068,813	101,312,040	3,513,629	239,811,065	164,416	2,005,580	47,839,865	438,731,462
As at 31 December 2022	**6,261,844**	**40,250,482**	**90,654,148**	**3,160,359**	**252,545,439**	**116,870**	**1,823,787**	**43,270,334**	**438,083,263**

(All amounts in thousands Saudi Riyals unless otherwise stated)

9 Property, plant and equipment, net – continued

- The land item also includes plots of land with a book value of SAR 25 million, the transfer of title deeds to the group is in progress.
- The net book values of the Group’s property, plant and equipment (other than projects in progress) is allocated to the main activities as follows:

	Generation	Transmission	Distribution	General property	Joint operations	Total
As at 31 December 2022						
Land	131,113	591,091	218,964	5,320,676	-	6,261,844
Buildings	22,267,753	14,517,501	535,692	2,929,536	-	40,250,482
Machinery and equipment	83,152,835	3,731,305	408,659	3,361,349	-	90,654,148
Capital spare parts	2,007,654	867,843	284,861	1	-	3,160,359
Transmission and distribution network	-	142,147,964	110,397,475	-	-	252,545,439
Vehicles and heavy equipment	147	1,038	-	115,685	-	116,870
Others	1,022,199	449,804	231,211	120,573	-	1,823,787
Net book value -	**108,581,701**	**162,306,546**	**112,076,862**	**11,847,820**	**-**	**394,812,929**

	Generation	Transmission	Distribution	General property	Joint operations	Total
As at 31 December 2021						
Land	131,113	591,092	218,964	5,074,885	-	6,016,054
Buildings	19,680,680	14,341,592	545,840	2,820,120	680,581	38,068,813
Machinery and equipment	85,722,066	3,929,422	426,347	1,990,709	9,243,496	101,312,040
Capital spare parts	2,195,835	862,641	285,993	1	169,159	3,513,629
Transmission and distribution network	90	140,783,395	99,027,580	-	-	239,811,065
Vehicles and heavy equipment	573	5,667	-	157,813	363	164,416
Others	1,124,489	495,727	292,731	91,118	1,515	2,005,580
Net book value -	**108,854,846**	**161,009,536**	**100,797,455**	**10,134,646**	**10,095,114**	**390,891,597**

(All amounts in thousands Saudi Riyals unless otherwise stated)

9 Property, plant and equipment, net – continued

Constructions work in progress

	Generation	Transmission	Distribution	General property	Joint operations	Total
At 1 January 2021	**18,112,169**	**23,620,478**	**17,276,653**	**5,163,112**	**7,031**	**64,179,443**
Additions	1,053,731	6,540,629	10,954,791	2,178,072	5,607	20,732,830
Borrowing costs capitalized	22,106	235,313	189,379	538,542	-	985,340
Transfers from CWIP to fixed assets	(9,715,897)	(13,339,600)	(11,060,761)	(3,939,744)	-	(38,056,002)
Transferred to held for sale	-	-	-	(1,746)	-	(1,746)
At 31 December 2021	**9,472,109**	**17,056,820**	**17,360,062**	**3,938,236**	**12,638**	**47,839,865**
Additions	1,317,386	7,267,727	15,439,478	2,527,985	-	26,552,576
Borrowing costs capitalized	241,091	333,891	217,677	43,191	-	835,850
Transfers from CWIP to fixed assets	(5,720,213)	(7,072,341)	(15,784,608)	(3,368,157)	-	(31,945,319)
Exclusion of Joint operation	-	-	-	-	(12,638)	(12,638)
As at 31 December 2022	5,310,373	17,586,097	17,232,609	3,141,255	-	43,270,334

- Additions to projects under construction include capitalised interest of SAR 836 million during 31 December 2022 (31 December 2021: SAR 985 million). The capitalisation rate for the year ended 31 December 2022 was 2.91% (31 December 2021: 2.79 %)

(All amounts in thousands Saudi Riyals unless otherwise stated)

10 Right of use assets and lease liabilities

10-a Right of use assets

	Vehicles and equipment	Land	Buildings	Total
Cost				
As of 1 January 2021	336,646	56,976	29,132	422,754
Additions	-	-	16,092	16,092
Disposal	(1,790)	-	-	(1,790)
As of 31 December 2021	**334,856**	**56,976**	**45,224**	**437,056**
Additions	-	-	43,995	43,995
De-recognition of Joint operation	-	(1,495)	(421)	(1,916)
As of 31 December 2022	**334,856**	**55,481**	**88,798**	**479,135**
Accumulated depreciation				
As of 1 January 2021	287,829	9,440	14,154	311,423
Charge for the year	48,221	4,537	10,466	63,224
Disposal	(1,197)	-	-	(1,197)
As of 31 December 2021	334,853	13,977	24,620	373,450
Charge for the year	1	4,335	11,739	16,074
De-recognition of Joint operation	-	(231)	(10)	(241)
As of 31 December 2022	**334,853**	**18,081**	**36,349**	**389,283**
Net Book Value				
As of 31 December 2021	**3**	**42,999**	**20,604**	**63,606**
As of 31 December 2022	**2**	**37,400**	**52,449**	**89,852**

10-b Long term lease liabilities

The future minimum lease payments together with the present value of minimum lease payments as of 31 December 2022 are as follows:

Future minimum lease payments	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	**15,934**	**3,639**	**19,573**
Between two and five years	**16,433**	**19,382**	**35,815**
More than five years	**1,814**	**23,021**	**24,835**
Total	**34,181**	**46,042**	**80,223**

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

	31 December 2022	31 December 2021
Current portion	**19,573**	12,649
Non-current portion	**60,650**	56,406
Total	**80,223**	69,055

(All amounts in thousands Saudi Riyals unless otherwise stated)

11 Investment properties

	31 December 2022	31 December 2021
Cost		
As of 1 January	**459,888**	459,888
As of 31 December	**459,888**	459,888
Accumulated depreciation		
As of 1 January	**(10,688)**	(7,236)
Charge for the year	**(2,741)**	(3,452)
As of 31 December	**(13,429)**	(10,688)
Net Book Value		
As of 31 December	**446,459**	449,200

During the year, the Group re-assessed the useful life of the buildings within the investment properties, which resulted in a decrease in the depreciation expense charged for the year to amount 711 thousand Saudi Riyals.

The Group's lands classified as investment properties were evaluated by an external valuer to determine the fair value of the lands as of 31 December 2022. The lands and buildings were evaluated by Dar Al-Qiyas Valuation Company with license number 1210000518 with the Saudi Authority for Accredited Valuers.

The following table sets out the valuation techniques used in the determination of fair values of investment properties, as well as the key unobservable inputs used in the valuation models.

The fair value measurement information in accordance with IFRS 13 as at 31 December 2022 which was completed during the fourth quarter in 2022 and the fair value amounted to SAR 2.127 billion (2021: SAR 1.6 billion). Below is the fair value measurement information;

	Significant Inputs and Evaluation Assumptions	**Purpose of investment property**	**Evaluation method**	**Fair value**
Fair-value measurements - Lands	Costing, capitalization and market comparison method	Rental income and maximize capital value	Level 2	1,990 million
Fair-value measurements - Buildings	Costing, capitalization and market comparison method	Rental income and maximize capital value	Level 2	137 million

Valuation techniques used to derive Level 2 fair values:

Level 2 fair values of land have been generally derived using the sales comparison approach. Sales prices are adjusted using same properties. The most significant input into this valuation approach is price per square meter.

(All amounts in thousands Saudi Riyals unless otherwise stated)

12 Intangible assets, net

	Pipeline right-of-use	Software	Intangible assets in progress	Total
Cost:				
Balance at 1 January 2021	**292,278**	**540,540**	**99,208**	**932,026**
Additions	-	-	5,542	5,542
Transferred from work in progress	-	91,708	(91,708)	-
Balance at 31 December 2021	292,278	632,248	13,042	937,568
Additions	-	13,072	-	13,072
Transferred from work in progress		13,042	(13,042)	-
Balance at 31 December 2022	**292,278**	**658,362**	**-**	**950,640**
Accumulated amortisation:				
Balance at 1 January 2021	**163,339**	**299,119**	**-**	**462,458**
Amortisation for the year	13,775	52,358	-	66,133
Balance at 31 December 2021	**177,114**	**351,477**	**-**	**528,591**
Amortisation for the year	14,774	54,157	-	68,931
Balance at 31 December 2022	**191,888**	**405,634**	**-**	**597,522**
Net book value:				
At 31 December 2022	**100,390**	**252,728**	**-**	**353,118**
At 31 December 2021	115,164	280,771	13,042	408,977

(All amounts in thousands Saudi Riyals unless otherwise stated)

13 Equity-accounted investees

13-A The balances related to these investments are as follows:

	31 December 2022	31 December 2021
Gulf Cooperation Council Inter-Connection Authority	**1,373,286**	1,357,350
Gulf Laboratory Company for testing electrical equipment	**98,544**	107,616
Al Fadhly Co-Generation Company	**-**	-
Green Saudi Company for Carbon Services	**259**	259
Joint venture *		
Hajr for Electricity Production Company	**1,381,492**	-
Dhuruma Electricity Company	**445,530**	-
Rabigh Electricity Company	**697,901**	-
Al Mourjan for Electricity Production Company	**619,521**	-
Global Data Hub Company	**6,641**	4,811
	4,623,174	1,470,036

The Saudi Electricity Company has continued proportionate consolidation of the assets and liabilities of the Independent Power Producer companies as joint operations in the Group's consolidated financial statements and condensed consolidated financial statements until 30 June 2022.

Starting from 1 July 2022, the Saudi Electricity Company started to transfer the power purchase agreements signed with these companies to the Saudi Power Procurement Company instead of the Saudi Electricity Company, with the continuance of Saudi Electricity Company to be the shareholder in the said companies without change in capital structure (Note 1). This transfer resulted in a change in classifying these investments from joint operations to joint ventures. Accordingly, the Saudi Electricity Company ceased to apply proportionate consolidation of these independent companies as a result of losing control of the operations in its consolidated financial statements for the year ended on 31 December 2022 and recognized the investment as a joint venture using the equity method. Due to such change in accounting from Joint Operation to Joint Venture, the carrying amount of net assets of IPPs under Joint Operation was higher than the net assets of IPPs (based on stand-alone financial statement) amounting to SAR 284.6 million. This difference has been adjusted in investment with corresponding impact on the retained earnings of the Group for the year ended 2022.

SEC has accordingly de-recognized the assets and liabilities accounted for previously in the consolidated financial statements and in the transition date and losing the control the deemed cost of the investment in joint venture equal to the preliminary fair value at the date of losing the control, SEC applied the following accounting for this change:

- Cease the proportionate consolidation of the assets and liabilities related to these companies.
- recognized the deemed cost which equal to fair value of investment at the date of derecognition; and
- any difference between the two above recognized as gain/loss in the retained earning in the Consolidated statement of equity.

(All amounts in thousands Saudi Riyals unless otherwise stated)

13 Equity-accounted investees - continued

The movement in equity investments recognised under the equity method as of 31 December 2022 is as follows:

	Balance as of 1 January 2022	Deemed cost as of 1 July 2022 *	Share in Profit / (Loss)	Share in other comprehensive income	Dividend received	Balance as of 31 December 2022
Associate companies						
Gulf Cooperation Council Inter-Connection Authority	1,357,350	-	15,936	-	-	1,373,286
Gulf Laboratory Company for testing electrical equipment	107,616	-	(9,072)	-	-	98,544
Al Fadhly Co-Generation Company	-	-	1,976	(1,976)	-	-
Green Saudi Company for Carbon Services	259	-	-	-	-	259
Joint Ventures						
Hajr for Electricity Production Company (HEPC)	-	1,263,657	117,835	-	-	1,381,492
Rabigh Electricity Company	-	394,775	50,755	-	-	445,530
Dhuruma Electricity Company	-	584,443	124,220	-	(10,762)	697,901
Al Mourjan for Electricity Production Company (MEPCO)	-	615,252	4,269	-	-	619,521
Global Data Hub Company	4,811	-	1,830	-	-	6,641
Investment movement during the year 2022	1,470,036	2,858,127	307,749	(1,976)	(10,762)	4,623,174
Investment movement during the year 2021	1,464,936	-	(10,202)	15,302	-	1,470,036

* The deemed cost include the settlement by amount SAR 284.6 M, which result from deconsolidated proportional consolidated of joint operations which settled within retained earning.

The following is the preliminary financial information at the time of transition according to the (Unaudited) financial statements of the Independent Power Producer companies as of 30 June 2022 which has been prepared according to IFRS

Description	Al Mourjan for Electricity Production Company (MEPCO)	Dhuruma	Hajr for Electricity Production Company (HEPC)	RABIGH	
Percentage of ownership	50%	50%	50%	20%	Total
	Amount in million SAR				
Non-current assets	2,572	2,605	4,197	1,484	10,858
Current assets	72	163	136	49	420
Non-current liabilities	1,817	1,965	2,727	1,032	7,541
Current liabilities	212	218	342	106	878

(All amounts in thousands Saudi Riyals unless otherwise stated)

13 Equity-accounted investees - continued

The following table represents the most important items relating to the Group's investment:

	For the year ended 31 December 2022					
	Gulf Cooperation Council Inter-Connection Authority	Al Fadhly Co-Generation Company	Hajr for Electricity Production Company (HEPC)	Rabigh Electricity Company	Dhuruma Electricity Company	Al Mourjan for Electricity Production Company (MEPCO)
Current assets	794,291	483,595	381,133	293,997	395,866	184,434
Non-current assets	3,620,869	3,920,245	8,746,105	7,895,301	5,128,793	5,079,965
Current liabilities	89,456	345,354	653,468	552,429	479,195	500,543
Non-current liabilities	80,010	3,738,546	5,337,084	4,925,059	3,647,696	3,524,814
Equity	4,245,694	319,940	3,136,686	2,711,810	1,397,768	1,239,042
Operating income	308,955	723,002	918,646	932,584	847,019	399,911
Cost of sales	(129,872)	(542,000)	(560,204)	(176,856)	(470,299)	(310,850)
Gross profit / (loss)	179,083	181,002	358,442	755,728	376,720	89,061
General and administrative expenses	(54,979)	(11,423)	(139,122)	(217,975)	(11,035)	(53,126)
Operating profit / (loss) for the year	124,104	169,579	219,320	537,753	365,685	35,935
Other income, net	14,475	2,705	7,067	101	-	36,214
Finance (expense) / income	-	(189,965)	(242,891)	(323,805)	(221,339)	(148,944)
Profit / (loss) for the year	138,579	(17,681)	(16,504)	214,049	144,346	(76,795)

	1 January 2022					
	Gulf Cooperation Council Inter-Connection Authority	Al Fadhly Co-Generation Company	Hajr for Electricity Production Company (HEPC)	Rabigh Electricity Company	Dhuruma Electricity Company	Al Mourjan for Electricity Production Company (MEPCO)
Current assets	962,033	438,152	282,729	284,309	303,012	119,821
Non-current assets	3,431,651	4,011,983	8,635,071	7,346,099	5,213,478	5,226,856
Current liabilities	110,753	470,544	660,274	638,771	459,185	458,237
Non-current liabilities	87,671	4,101,929	5,841,579	5,416,314	4,460,769	3,852,182
Equity	4,195,260	(122,338)	2,415,947	1,575,323	596,536	1,036,258
	For year ended 31 December 2021					
Operating income	312,840	754,368	-	-	-	-
Cost of sales	(181,148)	(548,436)	-	-	-	-
Gross profit	131,692	205,932	-	-	-	-
General and administrative expenses	(103,710)	(16,365)	-	-	-	-
Operating profit / (loss) for the year	27,982	189,567	-	-	-	-
Other income, net	6,623	31,657	-	-	-	-
Finance (Expenses)	(293)	(205,604	-	-	-	-
Profit for the year	34,312	15,620	-	-	-	-

* Other equity accounted investees are not disclosed as those investments are not material to the Group.

14 Financial assets at amortised cost

	31 December 2022	**31 December 2021**
Sadara Company for Basic Services' Sukuk "Sadara"	**17,038**	18,615
Arabian Aramco Total Services Company's Sukuk "Satorp"	**10,816**	12,535
Carbon reduction company	**750**	-
	28,604	31,150
(Impairment in financial assets at amortized cost)	**(76)**	(76)
	28,528	31,074

(All amounts in thousands Saudi Riyals unless otherwise stated)

15 Financial assets through other comprehensive income

	31 December 2022	31 December 2021
Shuaiba Water and Electricity Company	**190,850**	183,684
Shuquiq Water and Electricity Company	**67,360**	75,567
Jubail Water and electricity limited Company	**84,727**	77,389
Shuaibah Expansion Holdings	**16,398**	16,739
Total	**359,335**	353,379

- The dividends received by the Group amounted to SAR 45 million (2021: SAR 38 million).
- Fair value information in accordance with IFRS 13 is set out in Note 46.3.

16 Inventories, net

	31 December 2022	31 December 2021
Material and supplies - Generation plant	**2,257,410**	2,228,314
Materials and supplies - Distribution network	**1,541,571**	1,385,209
Materials and supplies - Transmission network	**206,045**	267,807
Others	**304,698**	262,270
Total	**4,309,724**	4,143,600
Less: Provision for slow moving inventories (a)	**(932,173)**	(822,075)
Total	**3,377,551**	3,321,525

The permanent decrease in the value of the inventory amounted to SAR 198 million as on 31 December 2022 (2021: SAR 365 million).

(a) The movement in the provision for slow-moving inventories during the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**822,075**	807,871
Charge during the year	**110,098**	14,204
Balance at the end of the year	**932,173**	822,075

(All amounts in thousands Saudi Riyals unless otherwise stated)

17 Receivables from sale of electricity, net

	31 December 2022	31 December 2021
Governmental institutions (a)	**5,760,367**	5,005,265
Commercial, residentials and industrial	**12,561,012**	13,062,452
Receivables for electricity service connection projects	**2,053,199**	894,109
Due from related parties (a)	**4,867,973**	692,276
Total electricity consumers' receivable	**25,242,551**	19,654,102
Less: Provision for electricity consumers' receivable (b)	**(3,580,487)**	(2,364,760)
Add: Unbilled revenues	**3,234,316**	3,489,462
Total	**24,896,380**	20,778,804

a) During the year 2022, the group settled an amount SAR 5.4 billion due from electricity consumers of governmental institutions for year 2021 and before within the settlement of Ministry of finance due (2021: SAR 16.6 billion) (note 32).

(b) The movement in impairment in electricity consumers' receivable during the year is as follow:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,364,760**	1,467,536
Charge during the year	1,354,885	897,224
Utilised during the year	(139,158)	
Balance at the end of the year	**3,580,487**	2,364,760

18 Loans and advances

	31 December 2022	31 December 2021
Due from a related party (Note 39.C)	**346,701**	299,124
Advances to:		
Contractors and suppliers	**797,695**	217,097
Employees	**32,952**	27,297
	1,177,348	543,518

19 Prepayments and other receivables

	31 December 2022	31 December 2021
Prepaid and other expenses	**15,329**	34,734
Insurance and other claims	**216,888**	168,662
Other receivables, net	**1,125,852**	1,897,261
Due from the Ministry of Finance *	**1,753,025**	
	3,111,094	2,100,657
Less: Provision for doubtful other receivables balances (a)	**(437,196)**	(413,606)
	2,673,898	1,687,051

*This balance represents the amount due from the government as a result of the settlement during the year 2022 (Note 32).

(a) The movement in the provision for doubtful other receivables balances during the year is as follow:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**413,606**	235,899
Charge during the year	**23,590**	177,707
Balance at the end of the year	**437,196**	413,606

(All amounts in thousands Saudi Riyals unless otherwise stated)

20 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand	**3,872**	34,328
Cash at banks	**3,158,952**	5,077,928
Short-term bank deposits	**-**	1,131,000
	3,162,824	6,243,256

21 Share capital

The Company's share capital is divided into 4,166,593,815 shares of SAR 41,665,938,150 with a nominal value of SAR 10 per share. The Government of Saudi Arabia's shareholding of 74.31% in the Company was transferred to the Public Investment Fund by Royal Decree No. 47995 dated 19th Shawwal 1438H (13th July 2017).

22 Transactions with owners, recognised directly in equity

In accordance with the Group's Articles of Association, dividends of at least 5% of paid-up capital after deducting reserves as down payment to be distributed to shareholders.

The General Assembly of the Company, in its meeting held on 16 Shawwal 1443H, corresponding to 17 May 2022, approved the distribution of cash dividends for the year 2021 to the shareholders of the Company amounting to SAR 2.9 billion at 0.70 Saudi riyals per share, representing 7% of the par value of the share (2020: SAR 2.9 billion).
The Board of Directors of the Saudi Electricity Company recommended, in its meeting held on 22 shaaban 1444H, corresponding to 14 March 2023, to the Company's general assembly of shareholders to pay cash dividends for the financial year 2022 to the shareholders of the Company and their equivalent with an amount of SAR 2.9 Billion represents SAR 0.70 per share representing 7 % of the nominal value per share.

23 Reserves

Statutory reserves
In accordance with the Company's Articles of Association, the Company is required to transfer each year 10% of its net income to form a statutory reserve until the reserve reaches 30% of the capital. The statutory reserve is not available for distribution.

General reserve
General reserve consists of the balances of the reserves that were recorded within the consolidated financial statements of the Saudi Electricity Company at the date of the merge (note 1), in addition to the collections of surcharges from individuals of electricity fees subsequent to 31 December 2001.

Contractual reserve for Mudaraba financial instrument
Pursuant to the letter received by the Company from the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 29/03/1442H corresponding to 15/11/2021), regarding the issuance of a royal order No. 16031 approving the settlement of net government dues from the Company and signing Mudaraba agreement with the government of the Kingdom of Saudi Arabia represented by the Ministry of Finance, to transfer the net financial liabilities accrued to the government by the Company by the end of year 2019, amounting to SAR 167.9 billion, into a financial instrument within equity.

The General Assembly, held on 12/05/1442H corresponding to 27th December 2021, approved the creation of contractual reserve for the purpose of profit payment on Mudaraba agreement signed between the Company and the Ministry of Finance which is referred in the Mudaraba agreement. Furthermore, the General Assembly also authorized the Board of Directors to transfer the amount from the Company's retained profits to the contractual reserve and utilised agreed reserve to pay the Mudaraba profits in accordance with the provisions of the Mudaraba Agreement as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**860,593**	927,375
Transferred from retained earnings during year	**7,661,376**	7,661,376
Paid during the year	**(7,661,376)**	(7,728,158)
Balance at the end of the year	**860,593**	860,593

24 Mudaraba instrument

Pursuant to the letter received from His Royal Highness the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 03/29/1442H (corresponding to 11/15/2021), regarding the issuance of a royal order approving the settlement of net government dues from the Company and signing Mudaraba agreement with the government of the Kingdom of Saudi Arabia (the government) represented by the Ministry of Finance, to transfer the net financial liabilities accrued to the government by the Company, amounting to SAR 167.9 billion, into a financial instrument within equity.

The General Assembly, held on 12/05/1442H corresponding to 27/12/2021, approved to create contractual reserve to pay for the profits from the contractual agreement concluded between the Company and the Ministry of Finance and referred to in the Mudaraba agreement.

The net financial liabilities accrued to the government on the Company amounting to SAR 167.92 billion have been transferred to a secondary financial instrument, unsecured, with an unspecified, recoverable term, and an annual profit margin of 4.5% for a period of 3 years ending in 2023, provided that the margin is recalculated. Profit for the following years according to the mechanism set out in the agreement. The profit margin is payable in the case that it is decided to distribute cash dividends to holders of ordinary shares and collect any amounts due from the budget account, this instrument is compliant with the provisions of sharia compliant, and is classified under the Consolidated statement of equity, it has no effect on the percentage of ownership of the Company's shareholders and the related rights, the instrument is considered recoverable only in the event of the end of the company's term or the date on which the company pays all amounts or any other amounts accrued under the agreement, whichever is earlier. The financial instrument included restrictions on some decisions on which the company’s management must obtain the approval of the owner of the instrument.

The payment obligations of Saudi Electricity Company under this Agreement shall constitute direct, unsecured and subordinated obligations and rank after all senior obligations, rank pari passu with all other equivalent obligations and rank senior only to the junior obligations.

The general assembly, in its meeting held on 12th Jumada Awal 1442H (corresponding to 27th December 2020), agreed to settle the dividends accrued to Saudi Aramco, book value of the accrual was transferred to the Ministry of Finance covering the dividends for Saudi Aramco’s shares in the Company for the period since its establishment until the end of 1439H amounting to SAR 3.4 billion, and the amount included in the amount of the financial instrument is added.

The fair value measurement information in accordance with IFRS 13 as at 31 December 2022, which has not changed since initial recognition, which is measured according to Level 3 entries, of SAR 159 billion.

The fair value of the Mudaraba is determined based on an income approach where perpetual cash flows based on the profit rate of the instrument are discounted at an appropriate discount rate of 4.3% derived based a cost of debt reflecting a yield to maturity of KSA Government Sukuk with longest maturity plus a premium for the perpetual nature of the instrument.

The regulatory weighted average cost of capital is estimated at 6% based on the Capital Asset Pricing Model using market-based assumptions and is considered a close proxy to the contractual WACC for the fair valuation purposes.

In addition, the redemption option is estimated based on an appropriate option pricing model which incorporates interest rate volatilities. The above inputs to the valuation are considered to be under Level 3 of the fair value hierarchy.

(All amounts in thousands Saudi Riyals unless otherwise stated)

25 Employees' benefits obligation

		31 December 2022	31 December 2021
Employees' end of service benefits	25.1	**5,781,990**	6,005,560
Employees' savings fund	25.2	**1,119,482**	1,002,539
Human resources productivity improvement program	25.3	**1,402,612**	930,297
		8,304,084	7,938,396

25.1 Employee end of services benefits

The Group carried out an actuarial valuation for employees' end of service benefits, using the projected unit credit method for its liability as at 31 December 2022 and 31 December 2021 arising from the end of service benefits.

The key demographic assumptions for the valuations are shown in the table below:

Resignation rate before retirement age	The group based the resignation rates according to the previous resignation rates and based on the experience of the group during the past four years.
Assumed retirement age	58 years and 3 months (Gregorian calendar). Employees older than the normal retired age are assumed to retire immediately on valuation date.
Pre-retirement mortality	The Group based the pre-retirement mortality on the life table for Saudi Arabia, sourced on countries that do not differ substantially from Kingdom of Saudi Arabia.

The economic assumptions for the valuations are shown in the table below:

	31 December 2022	31 December 2021
Gross discount rate	**4.68%**	2.7%
Price inflation	**2%**	2%
Salary inflation average rate	**4.5%**	4.5%

Sensitivity Analysis:

	Impact on defined benefit obligations 2022	
	1% Increase	**1% Decrease**
Payroll inflation	725,038	(620,493)
Discount rate	(608,284)	723,693

	Impact on defined benefit obligations 2021	
	1% Increase	1% Decrease
Payroll inflation	618,052	537,775
Discount rate	(541,368)	636,033

(All amounts in thousands Saudi Riyals unless otherwise stated)

25 Employees' benefits obligation – continued

25.1 Employee end of services benefits - continued

The reconciliation of the defined benefit obligation for the year ended 31 December 2022 and 2021:

	Statement of profit or loss	Re-measurement	Cash movements	Total
As at 1 January 2021				**5,260,867**
Current service cost	491,722	-	-	491,722
Interest cost	110,414	-	-	110,414
(Gain) / loss from change in financial assumptions	-	(15,395)	-	(15,395)
(Gain) / loss from change in demographic assumptions	-	103,595	-	103,595
Experience (gain) / losses	-	314,377	-	314,377
Benefit payments	-	-	(192,935)	(192,935)
Total movement during the year	602,136	402,577	(192,935)	811,778
Total movement during the year				**811,778**
End of service balance of subsidiary*				**(67,085)**
As at 31 December 2021				**6,005,560**
Current service cost	**474,058**	**-**	**-**	**474,058**
Interest cost	**162,956**	**-**	**-**	**162,956**
(Gain) / loss from change in financial assumptions	**-**	**(1,569,770)**	**-**	**(1,569,770)**
(Gain) / loss from change in demographic assumptions	**-**	**596,809**	**-**	**596,809**
Experience (gain) / losses	**-**	**521,839**	**-**	**521,839**
Benefit payments	**-**	**-**	**(404,244)**	**(404,244)**
Total movement during the year	**637,014**	**(451,122)**	**(404,244)**	**(218,352)**
End of service expense on disposal of subsidiary (Note 47)*				**(1,486)**
De-recognition of Joint Operations Settlement from End of Service **				**(3,732)**
As at 31 December 2022				**5,781,990**

* The total balance amounted to SAR 68,571 on disposal of the subsidiary as on 30 June 2022 (note 47).

**The amount represents the balance of joint operations that were excluded from proportional consolidation in the financial statements as on 1 July 2022.

(All amounts in thousands Saudi Riyals unless otherwise stated)

25 Employees' benefits obligation – continued

25.2 Employee end of services benefits – continued

25.2 Employees' savings fund

In accordance with Article 145 of the Labor Law, and in line with the Board of Directors' meeting held on 23rd Safar 1429H (corresponding to 2 March 2008), the Savings Plan Program was applied to encourage Saudi employees in the Company to save and invest their savings in areas that are more beneficial to them to secure their future and as an incentive for them to continue working with the Company. Rate of return will be determined according to company's policy.

Participation in the Fund is restricted to Saudi employees only and is optional for the employee who wishes to contribute a monthly minimum of 1% to a maximum of 10% of their basic salary.

	31 December 2022	31 December 2021
Balance at the beginning of the year	**1,002,539**	890,006
Charge for the year	**165,644**	154,165
Paid during the year	**(81,413)**	(63,958)
Transferred to the assets of the Fund	**32,712**	22,326
Balance at the end of the year	**1,119,482**	1,002,539

The following are the liabilities balances of the Saving Fund:

	31 December 2022	31 December 2021
Contribution by the Company	**1,012,140**	915,598
Employees' contribution	**782,007**	728,893
Total liabilities	**1,794,147**	1,644,491

The following are the assets of the Saving Fund:

	31 December 2022	31 December 2021
Balances and deposits with banks	**429,643**	476,930
Investments in Sukuks	**245,022**	165,022
Total assets of the Fund	**674,665**	641,952

25.3 Human resources productivity improvement program

The Company is committed to improve the productivity of human resources by increasing employees' efficiency through the Company's endeavor to improve HR productivity, raise the level of employee efficiency, and reduce the total costs of HR, which will have a positive impact on the Company's performance in the future. The Company's board of directors approved human resources productivity on 29 June 2022, and has been implemented during the third quarter of 2022 which entitles the beneficiary to obtain early retirement benefits based on the progress in achieving operational saving targets and continued until 2025. Those eligible for this program are Saudi employees who meet the terms and conditions of this program, the employees participating in the mentioned programs are entitled to benefits.

The movement during the year for the HR Productivity Improvement Program is as follows:

	31 December 2022	31 December 2021
Special offer	**567,917**	202,469
Mowama offer	**57,754**	727,828
Special offer and Mowama for year 2022	**776,941**	-
	1,402,612	930,297

(All amounts in thousands Saudi Riyals unless otherwise stated)

25 Employees' benefits obligation – continued
25.3 Human resources productivity improvement program - continued

Employees participating in the aforementioned programs are entitled to benefits as calculated according to the following assumptions:
The Company has carried out actuarial studies for the mentioned programs on 31st December 2022 by an actuary. The following are additional assumptions used in evaluating these programs:
Economic assumption used in valuation of Mowama:

	31 December 2022	31 December 2021
Discount rate	4.57%	1.95%
Inflation rate	5%	5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

Economic assumption used in valuation of Special offer:

	31 December 2022	31 December 2021
Discount rate	4.79%	0.35%
Inflation rate	5%	5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

- It is likely that each employee who meets the conditions for the Productivity Program will receive the offer in any year;
- Annual cost of medical sponsorship for program members and their family has been approved based on the average actual cost of the Company;
- All benefits under the Plan shall cease upon death or at the age of 60 year, whichever is earlier;
- Mortgage loans related to premium support will not expire before the employee reaches age 60 year.

Economic assumptions used in productivity improvement program for the year 2022:

	31 December 2022	31 December 2021
Discount rate	4.85%	-
Inflation rate	5%	-
average rate of salary inflation	4.50%	-
Social insurance inflation rate	0.37%	-
Savings and Savings Fund contribution rate	10%	-
Offer acceptance rate	65.50%	-
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

- It is likely that each employee who meets the conditions for the Productivity Program will receive the offer in any year;
- Annual cost of medical sponsorship for program members and their family has been approved based on the average actual cost of the Company.
- All benefits under the Plan shall cease upon death or at the age of 60 year, whichever is earlier;
- The disbursement is made according to an approved policy for the program chosen by the employee.
- Disbursement of the company's contribution corresponding to the employee's savings in the Savings and Savings Fund at a rate of (100%).

Productivity of human resources program movement are shown in the table below:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**930,297**	1,109,077
Increase during the year:	**756,644**	77,883
Paid during the year	**(284,329)**	(256,663)
Balance at the end of the year	**1,402,612**	930,297

(All amounts in thousands Saudi Riyals unless otherwise stated)

26 Deferred revenue

Deferred revenue represents amounts collected for electricity connections service to completed projects and is amortised on a straight-line basis based on the average useful life of the equipment used, estimated 35 years.

	31 December 2022	31 December 2021
Balance at the beginning of the year	**66,135,437**	58,644,433
Charged during the year	**7,715,505**	9,674,627
Amortized during the year	**(2,448,576)**	(2,183,623)
Balance at the end of the year	**71,402,366**	66,135,437

	31 December 2022	31 December 2021
Current portion	**2,572,487**	2,281,075
Non-current portion	**68,829,879**	63,854,362
	71,402,366	66,135,437

27 Deferred government grants

This includes government grant received by Dawiyat (a subsidiary) from Ministry of Communication and Information Technology to implementation of the fibre optic network.

	31 December 2022	31 December 2021
Balance at the beginning of the year	**1,525,987**	1,089,377
Government grants received during the year	**-**	506,003
Amortisation during the year	**(127,273)**	(69,393)
Balance at the end of the year	**1,398,714**	1,525,987

28 Asset retirement obligations

	31 December 2022	31 December 2021
Balance at the beginning of the year	**269,644**	270,425
Reversed during the year	**-**	(10,312)
Increase in the present value during the year (Note 44)	**-**	9,531
De-recognition of Joint Operation	**(269,644)**	-
Balance at the end of the year	**-**	269,644

The balance of the asset retirement obligation is stated at the present value of the future obligation of independent power producer companies, which have been excluded from the proportional consolidation process, starting from 1 July 2022.

29 Trade Payables

	31 December 2022	31 December 2021
Saudi Aramco costs of fuel (Note 32)	**-**	683,830
Saline Water Conversion Corporation – Purchase power cost (Note 32)	**313,425**	359,437
Contractors and retention payables	**1,340,267**	838,702
Purchased power payable (Note 32)	**1,938**	69,476
Accounts payable	**1,228,968**	685,228
Others (Note 32)	**304,087**	351,595
	3,188,684	2,988,268

a) Some payable amount with SAR 11.1 billion for the year ended 31 December 2021 (31 December 2020: SAR 18 billion) has been transferred to the account of the Ministry of Finance (note 32).

(All amounts in thousands Saudi Riyals unless otherwise stated)

30 Accruals and other payables

	31 December 2022	31 December 2021
Accrued expenses	**6,427,362**	7,475,595
Accrued employees' benefits	**1,082,691**	852,593
Other credit balances under settlement (a)	**303,922**	514,855
Dividends payable	**457,930**	443,874
Accrued interest expenses	**727,576**	770,586
Accrued government fees (b)*	**6,273,726**	4,727,404
Others	**13,180**	13,180
	15,286,387	14,798,087

(a) The balance resulted from the management's estimate of the difference between required revenue and actual revenue for the year 2022. It also includes the required revenue amendments for the year 2021 which was approved by the regulator until it is settled in accordance with the approved rules and regulations. Thus is recorded within other operating revenues (note 40).

(b) An amount relates to government payable, and work is currently in process with the ministerial committee to settle these amounts.

31 Provision for other liabilities and charges

At 1 January 2021	**365,411**
Charge for the year	1,343,758
Paid /reversed during year	(216,568)
At 31 December 2021	**1,492,601**
Charge for the year	**461,198**
Paid /reversed during year	**(437,685)**
De-recognition of Joint operation	**(9,843)**
At 31 December 2022	**1,506,271**

The balance mainly includes the provision for a lawsuit against the Company related to claims for compensation, in addition to the balance of Zakat provision.

32 Payables to the government

Based on the relevant ministerial minutes and decisions, the Group settled during the year some balances due from government agencies against balances due to some government agencies as at 31 December 2022 according to the following:

	31 December 2022	31 December 2021
Balance at beginning of the year (fuel cost)	**4,570,538**	-
Addition		
Trade payables	**-**	11,119,648
Accruals and other credit balances	**-**	10,050,139
Deduction		
Receivables from sale of electricity	**(5,436,496)**	(16,599,249)
Other receivable *	**(887,066)**	-
net balance	**(1,753,024)**	4,570,538
Receivables due from the Ministry of Finance. (note 19)	**1,753,024**	-
Due to the Ministry of Finance.	-	4,570,538

* The amount represents the value of the assignment made to the Saudi Company for the Procurement of Energy and Fuel Inventory sold to Saudi Power Procurement Company (SPPC) in addition to Company's share in (SPPC) (Note 47 and 48)

(All amounts in thousands Saudi Riyals unless otherwise stated)

33 Financial liabilities

33.1 Financial liabilities other than interest bearing

	31 December 2022	31 December 2021
Derivative financial instruments		
Derivative financial instruments at fair value	**79,611**	594,149
	79,611	594,149
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	**3,188,684**	2,988,268
Accruals and other payables	**15,286,387**	14,798,087
Payables to the government	**-**	4,570,538
Refundable deposits from customers	**1,999,401**	1,998,510
Total other financial liabilities carried at amortized cost, other than interest bearing loans	**20,474,472**	24,355,403

Interest bearing liabilities

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2022 is as follows:

	Term Loans	Sukuks	Total
Non-current	**50,826,958**	**29,990,770**	**80,817,728**
Current	**15,285,553**	**3,750,750**	**19,036,303**
	66,112,511	**33,741,520**	**99,854,031**

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2021 is as follows:

	Term Loans	Sukuks	Total
Non-current	50,871,973	33,741,280	84,613,253
Current	13,849,551	10,418,540	24,268,091
	64,721,524	44,159,820	108,881,344

33-2 Interest bearing liability

Movement in borrowings during the year is as follows:

	Term loans	Sukuks	Total
As at 1 January 2021	**69,559,367**	**44,160,434**	**113,719,801**
Proceeds from borrowings	14,910,233	-	14,910,233
Repayments of borrowings	(19,575,354)	-	(19,575,354)
Additions to deferred costs	(172,722)	(614)	(173,336)
As at 31 December 2021	**64,721,524**	**44,159,820**	**108,881,344**
Proceeds from borrowings	**32,958,000**		**32,958,000**
Repayments of borrowings	**(23,743,752)**	**(10,405,320)**	**(34,149,072)**
De-recognition of Joint operation loan *	**(7,556,581)**	**-**	**(7,556,581)**
Additions to deferred costs	**(266,680)**	**(12,980)**	**(279,660)**
As at 31 December 2022	**66,112,511**	**33,741,520**	**99,854,031**

* The amount represents joint venture loans that were excluded from the consolidated financial statements on 1 July 2022.

33.2.1 Term loans

Non-current:	31 December 2022	31 December 2021
Saudi Electricity Company	**50,826,958**	43,524,384
Joint operations	**-**	7,347,589
	50,826,958	50,871,973

Current:	31 December 2022	31 December 2021
Saudi Electricity Company	**15,285,553**	13,298,304
Joint operations	**-**	551,247
	15,285,553	13,849,551

(All amounts in thousands Saudi Riyals unless otherwise stated)

33 Financial instruments - continued

33.2 Interest bearing liabilities - continued

33.2.1 Term loans – continued

As follows the long-term loans:

	Loan currency	Maturity date	Principal amount	31 December 2022	31 December 2021
Domestic Bank 2	SAR	2025	5,000,000	**1,152,000**	1,536,800
Domestic Bank 3	SAR	2025	10,000,000	**2,723,810**	3,631,746
Domestic Bank 6	SAR	2026	3,500,000	**2,546,250**	2,598,750
Domestic Bank 7	SAR	2024	2,400,000	**2,220,000**	2,280,000
Domestic Bank 8	SAR	2026	15,200,000	**14,592,000**	14,896,000
Domestic Bank 9	SAR	2029	2,850,000	**2,840,000**	2,850,000
Domestic Bank 10	SAR	2027	9,000,000	**8,910,000**	9,000,000
Domestic Bank 11 -A	SAR	2032	1,500,000	**1,500,000**	-
Ministry of finance Loan	SAR	2024	2,583,375	**-**	541,475
International Bank 2	USD	2024	3,709,125	**351,327**	660,720
International syndicated loan 3	USD	2026	5,251,120	**1,749,554**	2,187,561
International syndicated loan 4	USD	2028	7,240,715	**3,480,571**	4,084,497
International syndicated loan 6	USD	2029	3,375,585	**1,968,144**	2,249,754
International syndicated loan 7	USD	2029	1,575,336	**918,810**	1,050,228
International syndicated loan 8	USD	2022	6,562,878	**-**	6,562,878
International syndicated loan 9 -B	USD	2033	4,500,000	**749,275**	-
International syndicated loan 10 – C	USD	2027	11,265,874	**11,265,874**	-
Total value			95,514,008	**56,967,615**	54,130,409
Less: *The current portion of long-term loans*				**(5,873,977)**	(10,263,796)
Less: *The Unamortised portion of the prepaid fees*				**(266,680)**	(342,229)
Non-current portion of long-term loans				**50,826,958**	43,524,384

(All amounts in thousands Saudi Riyals unless otherwise stated)

33 Financial instruments - continued

33.2 Interest bearing liabilities – continued

33.2.1 Term loans – continued

The following are short-term loans:

	Loan currency	Principal amount	31 December 2022	31 December 2021
Domestic revolving bank loan 1	SAR	2,000,000	**2,000,000**	1,000,000
Domestic revolving bank loan 2	SAR	2,000,000	**1,500,000**	-
Commercial payment facilities	SAR	550,000	**-**	159,433
International syndicated loan 4	USD	9,665,625	**5,911,576**	1,875,075
Total short-term loans		14,215,625	**9,411,576**	3,034,508
Add: current portion of long-term loans			**5,873,977**	10,263,796
Total short-term loans and current portion of long-term loans			**15,285,553**	13,298,304

A - On 2 August 2022, the Company obtained credit facilities from a local bank in order to finance the Company's operating activities, amounting to SAR 1.5 billion without guarantees or bank pledges.
B - On 10 August 2022, the Company signed a dollar-denominated credit facility agreement with several international export banks to finance one of company’s project worth USD 567 million, provided that these facilities are guaranteed by the Swedish Export Credit Agency and funded by the Swedish Export Credit Corporation without bank pledges.
C - On 11 August 2022, the Saudi Electricity Company signed a credit facility agreement denominated in US dollars with several international banks to refinance existing revolving credit facilities and finance the company's general purposes, including capital expenditures, at a value of USD 3 billion without bank guarantees and pledges.

33.2.2 Sukuk

The outstanding Sukuk as of 31 December 2022 are as follows:

Local sukuk

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 3	10 May 2010	SAR 10 Thousand	SAR 5.73 Billion	2030 *
Sukuk 4	30 January 2014	SAR 1 Million	SAR 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 Group.

The Company has undertaken to purchase these Sukuk from Sukuk holders at dates specified in prospectus. At each purchase date, the Group will 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%**
	First purchase date	**Second purchase date**	**Third purchase date**
Sukuk 3	2022	2024	2026

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

*The Group repurchased part of the third issuance of sukuk (Sukuk 3) during the second quarter of 2017, at a value of SAR 1.27 billion, which represents part of the repurchase of the third issue (7 billion Saudi riyals). The Group also rescheduled the remaining sukuk balance to be fully purchased before the end of May 2022, the Company has paid SAR 5.7 billion during the second quarter of 2022. Hence the sukuk 3 become fully paid as at 31 December 2022.

(All amounts in thousands Saudi Riyals unless otherwise stated)

33 Financial instruments - continued
33.2 Interest bearing liabilities - continued
33.2.2 Sukuk - continued

Global Sukuk

A. During April 2012, the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to (US$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amount to US$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amount to US$ 1.25 billion maturing after 10 years with fixed rate of 4.211%. The Group has repaid SAR 1.9 billion (US $ 0.5 billion) during the first quarter of 2017, representing the repayment of the first type of these Sukuk. The Group has made a payment of SAR 4.7 billion ($1.25 billion) during the first quarter of 2022, which represents a repayment of the second tranche of these Sukuk. thus the sukuk has become fully paid as 31 December 2022.

B. During April 2013, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to (US$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to SAR 3.75 billion (US$ 1 billion) will mature after 10 years with a fixed rate of 3.473%. The second tranche amounting to SAR 3.75 billion (US$ 1 billion) will mature after 30 years with a fixed rate of 5.06%. The company has classified SAR 3.75 billion Saudi as current sukuk as of December 31, 2022.

C. During April 2014, the Group also issued a global Sukuk amounting to SAR 9.4 billion equivalent to (US$ 2.5 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SAR 5.6 billion (US $ 1.5 billion), will mature after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US $ 1 billion) is due after 30 years with a fixed rate of 5.5%.

D. During September 2018, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to US$ 2 billion. The issuance consists of two tranches of Sukuk certificates. The first with a value of SAR 3 billion (US $ 800 million), have 5 years and four month tenure with a fixed interest rate of 4.222% per annum and the second with a value of SAR 4.5 billion Saudi Riyals (US $ 1.2 billion), have 10 years tenure with a fixed rate of 4.723% per annum.

E. During September 2020 the Company issued an international green Sukuk amounting to SAR 4.87 billion (US$1.3 billion). The issuance consists of two types of Sukuk certificates. The first one with value of SAR 2.43 billion (US$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SAR 2.43 billion (US$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.

33.3 Derivative financial instruments

The Group has interest rate hedging contracts with several banks for an amount of SAR 2 billion as of 31 December 2022 (2021: SAR 15.4 billion).

The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group’s exposure to credit risk, which is generally limited to the positive fair value of the derivatives.

All derivatives as at 31 December 2022 are classified as cash flow hedges. Derivatives are classified as non-current assets in the Company and as non-current or current liabilities in joint operation, depending on the expiration date of the financial instruments.

The fair values of the derivative financial instruments are summarised in the table below:

	31 December 2022	31 December 2021
Derivative financial asset:		
Non-current	**209,806**	15,620
Derivative financial liabilities at fair value:		
Current	**-**	104,628
Non-current	**79,611**	489,521
	79,611	594,149

34 Advance from customers

The amount represents payments received from customers in advance against the service to be delivered. These advances will be amortised once the project is completed.

(All amounts in thousands Saudi Riyals unless otherwise stated)

35 Zakat

35.1 Charge for the year

Zakat for the year is as follows:

	31 December 2022	31 December 2021
Zakat for the year	**416,621**	455,925
	416,621	455,925

On 5 Dhu al-Qi'dah 1441 H (corresponding to 26 June 2021), the Royal Decree No. (M/153) has been issued in respect of the amendment of Paragraph (A) of article 2 of the Income Tax Law issued by Royal Decree No. (M/1) on 15/1/1425 H, as amended by Royal Decree No. (M/131) on 29/12/1438 H, to amend the text contained in the resolution which changed the Company's status from a tax and zakat mixed company to a 100% Zakat company.

Zakat expense based on the Group companies is as follows:

	31 December 2022	31 December 2021
Saudi Electricity Company and its subsidiaries	418,279	454,422
Joint operation	-	4,113
Transferred to discontinued operations (Note 47)	(1,658)	(2,610)
	416,621	**455,925**

35.2 Zakat

The main components of the Zakat base for the Saudi Electricity Company and its subsidiaries are as follows:

	31 December 2022	31 December 2021
Income for the year before zakat and tax	**15,551,845**	14,849,408
Zakat adjustments	**3,188,905**	3,327,480
Total adjusted profit	**18,740,750**	**18,176,888**

Calculation of the Zakat base of the Company is as follows:

	31 December 2022	31 December 2021
Share capital	**41,665,938**	41,665,938
Total adjusted profit	**18,740,750**	18,174,276
Retained reserves	**5,655,316**	4,855,709
Retained earnings	**35,521,258**	22,487,382
Mudaraba instrument	**167,920,563**	167,920,563
Various provisions	**11,684,609**	9,685,598
Long term loans and Sukuks	**99,854,031**	108,881,344
Government loans and deferred grants	**1,398,714**	1,525,987
Contractors accruals and others	**1,340,267**	838,702
	383,781,446	376,035,499
Deduct:		
Fixed assets and construction work in progress, Gross	**438,038,263**	439,439,902
Long term investments	**2,269,613**	858,177
Material and spare parts inventories	**2,702,041**	2,657,220
Zakat base	**(59,228,471)**	(66,211,360)
Zakat payable on the gross adjusted net profit	**468,518**	454,422

The Group submitted its zakat returns within the statutory period for the year ending on 31 December 2021. The Company completed the zakat assessments until 2014, the Company also received a letter of amendment of declarations from the Zakat, Tax and Customs Authority on 29April 2021 for the declarations for the years from 2015 to 2018. The Company has submitted its objection to the amendment of the returns in accordance with the statutory dates, and a decision was issued by the General Secretariat of the Tax Committees on the objection submitted to the returns from 2015 to 2018 with zakat differences amounting to SAR 730 million. The Company has appealed these decisions issued by the Appeal Committee within the statutory deadline, and the Company's management believes that the Company's position in this objection is supported by sufficient documents and this is based on the Authority's practice by taking the difference between the receivable and payables accounts in accordance with the executive regulations for the collection of Zakat issued by Ministerial Resolution No. 2082, and the Company has the necessary provisions to meet the expected Zakat obligations..

36 Contingent liabilities

(a) A committee has been formed represented by various stakeholders, who will study contingent liabilities and give their recommendations to the Ministerial Committee, the most important of which are the following on 31 December 2022:

- Outstanding dispute between the Group and Saudi Arabian Oil Company (Saudi Aramco- Share holder) in relation to supply of light oil instead of heavy oil to one of the station. According to the Group's assessment, the cumulative difference amounted to SAR 2.6 billion has not been recorded in the Group's liabilities, and the Group does not expect that the dispute will result in any additional commitments.
- According to Council of Ministers resolution No. 216 dated 16 January 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, the total disputed amount from the beginning of the Company's incorporation on 5 April 2000 until 30 May 2018 amounted to SAR 6.1 billion. The Group does not expect that the dispute will result in any additional commitments
- The Group has provided guarantees to some commercial banks and some other parties with a total amount SAR 56 million as at 31 December 2022 (31 December 2021: SAR 62 million).

(b) There are some claims filed by one of the previous contractors against the Company. These are currently in the arbitral procedures, based on the claims filed, the contractors are claiming an approximate amount of SAR 1.49 billion. However, the Company has also filed counter claims against the Contractors amounting to SAR 6.26 billion with the same arbitrator. The management currently believes that there is no basis for recording any obligation and that the company's position is strong to date, which may change in the event of obtaining new supporting documents in the future.

Contractual obligations

(a) The Group has signed contracts to supply all the energy produced from the Group's generation units to the Saudi Energy Procurement Company for a specific long-term period, and these contracts are irrevocable.

37 Capital commitments

The capital commitments at the date of the consolidated statement of financial position represent the value of the unimplemented portion of the capital contracts signed by the Group for the construction and installation of stations, transmission and distribution network and other assets, which amounted to SAR 50 billion (31 December 2021: SAR 41 billion).

38 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year generated from continued operations attributable to equity holders of the Company after deducting Mudaraba instrument profit by the weighted average number of ordinary shares during the year.

The diluted earnings per share is calculated by dividing the profit for the year generated from continued operations by weighted average number of outstanding ordinary shares assuming that converting all shares diluted into ordinary shares.

The diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2022 and 31 December 2021, as there are no financial instruments with a dilutive effect on earnings per share.

38 Earnings per share - Continued

	For the year ended			
	31 December 2022		31 December 2021	
	Profit from continued operation	Profit	Profit from continued operation	Profit
Profit for the year	**15,196,402**	**15,135,224**	14,536,264	14,390,871
Less:				
Mudaraba Instrument dividends	**(7,661,376)**	**(7,661,376)**	(7,661,376)	(7,661,376)
Adjusted year profit	**7,535,026**	**7,473,848**	6,874,888	6,729,497
Weighted Average outstanding ordinary Shares in thousands	**4,166,594**			
Basic and diluted earnings per share "Saudi Riyals"	**1.81**	**1.79**	1.65	1.62
	Earnings per share without deduction of dividends Mudaraba instrument			
Basic and diluted earnings per share "Saudi Riyals"	**3.65**	**3.63**	3.49	3.45

39 Related-party transactions

The ultimate controlling party for the Group is the government of the KSA, where through its ownership of the Public Investment Fund, Saudi Arabian Oil Company , and the Saline Water Conversion Corporation "SWCC", as the mentioned entities are under the ultimate control of the government of the Kingdom of Saudi Arabia in addition to the independent energy production companies and the companies invested in, the following is a statement: With regard to the most important transactions with related parties:

The Saudi Electricity Company ("the seller") has entered into a sale and purchase agreement to sell its stake in the Saudi Power Procurement Company to the state represented by the Ministry of Finance and the Ministry of Energy (together referred to "the Buyer"), provided that the sale value is paid in the amount of the book value of the net assets of the Saudi Power Procurement Company amounting to 42 million Saudi riyals (note 47).

(a) Sales of electricity

	For the year ended	
	31 December 2022	31 December 2021
Sales of electricity:		
Group's ultimate controlling party	**11,715,523**	12,179,798
Entities under control of the Group's ultimate controlling party		
Saudi Power Procurement Company	**8,479,102**	-
Saudi Aramco	**403,434**	644,398
Saline Water Conversion Corporation	**585,549**	534,041
Total	**21,183,608**	13,358,237

(All amounts in thousands Saudi Riyals unless otherwise stated)

39 Related-party transactions – continued

(b) Purchases of energy and fuel

	For the year ended	
	31 December 2022	31 December 2021
Entities under control of the Group's ultimate controlling party:		
Saudi Aramco	**5,120,347**	10,064,742
Saline Water Conversion Corporation	**99,063**	610,385
Fadhili Plant Cogeneration Company	**95,942**	697,141
Saudi Power Procurement Company	**10,644,715**	-
Joint venture:		
Dhuruma Electricity Company	**347,822**	659,709
Rabigh Electricity Company	**426,765**	885,768
Hajr for Electricity Production Company	**399,103**	824,658
Al Mourjan for Electricity Production Company	**200,328**	482,402
Total	**17,334,085**	14,224,805

*The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation and power producer companies at rates stipulated within the respective governmental resolutions till 1 July 2022, the Company executed the procedures for transferring some of the power and fuel purchase agreements to the Saudi Power Procurement Company in addition the group has signed bulk purchase agreement with Saudi Power Procurement Company starting from 1 July 2022 (note 47).

(c) Year-end balances arising from sales of electricity/purchases of energy and fuel/loans:

Due from related parties:	**31 December 2022**	31 December 2021
Ultimate controlling party of the group – governmental electricity receivable	**5,760,367**	5,005,267
Entities under control of the Group's ultimate controlling party:		
Saudi Aramco – Electricity receivables	**205,742**	403,922
Saline Water Conversion Corporation– Electricity receivables	**243,181**	288,354
Al Fadhly Co-Generation Company loans	**251,745**	253,874
Global Data Center Company loans	**55,250**	45,250
Al Mourjan for Electricity Production Company loan	**39,706**	-
Total due from related parties	**6,555,991**	5,996,667

Due to related parties:

Group's ultimate controlling party		
Governmental payables	**-**	4,570,538
	-	4,570,538
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	**-**	683,830
Saline Water Conversion Corporation	**313,425**	359,437
Government payable expenses	**6,273,726**	4,727,404
	6,587,151	5,770,671

(All amounts in thousands Saudi Riyals unless otherwise stated)

39 Related-party transactions – continued

Loans and advances from related parties

	31 December 2022	31 December 2021
Group's ultimate controlling party		
Deferred government grants	**1,398,714**	1,525,987
Ministry of Finance loans	**-**	541,475
	1,398,714	2,067,462

The Group calculated and paid the Mudaraba profits amounting to 7.6 billion Saudi Riyals during the year ending on December 31, 2022, 7.6 Billion at December 31, 2021 AD) in accordance with the provisions of the Mudaraba agreement.

(d) Compensation of key management personnel

Key management consists of Board members and executive management. The compensation paid is illustrated below:

	For the year ended 31 December	
	2022	2021
Salaries and allowances	**10,548**	11,779
Annual and periodic bonus	**11,444**	26,513
Total	**21,992**	38,292

40 Operating revenue

	For the year ended	
	31 December 2022	31 December 2021
Sales of electricity	**62,333,967**	60,989,388
Electricity service connection fees	**2,448,576**	2,183,623
Meter reading, maintenance and bills preparation fees	**1,453,626**	1,443,311
Transmission system revenues	**1,380,325**	1,580,307
Other operational revenue*	**4,462,930**	3,141,407
	72,079,424	69,338,036

* This item includes an amount of SAR 3.1 Billion, which represents the difference between required revenue and actual revenue based on the management's best estimate for the year ending on 31 December 2022, (31 December, 2021: SAR 1.7 billion). This item also includes a an amount of SAR 210 million being the required revenue amendments for the year 2021 as approved by the regulator, (Note 30).

41 Costs of revenue

	For the year ended	
	31 December 2022	31 December 2021
Depreciation of operation and maintenance assets	**18,876,198**	19,267,356
Operation and maintenance expenses	**14,114,434**	12,073,095
Fuel	**3,736,318**	7,682,224
Power purchased	**24,055,686**	9,710,177
Less : Power supplied to SPPC under Energy Conversion Agreement	**(8,479,102)**	-
Depreciation of right of use assets	**16,073**	63,224
	52,319,607	48,796,076

(All amounts in thousands Saudi Riyals unless otherwise stated)

42 General and administrative expenses

	For the year ended	
	31 December 2022	31 December 2021
Employees' expenses and benefits	**644,862**	252,544
Depreciation - General and administrative expenses	**425,640**	427,917
Materials	**177,058**	68,734
Communication fees	**146,234**	121,950
Others	**215,729**	13,762
	1,609,523	884,907

43 Other income / (expenses), net

	For the year ended	
	31 December 2022	31 December 2021
Amortisation of government grants	**127,273**	69,393
Other claim provision *	**-**	(484,608)
Penalties and fines	**33,939**	370,551
Dividend income	**44,875**	38,141
Impairment in property, plant & Equipment (Note 9)	**615,680**	(863,438)
(Loss) / Profit on disposal of property, plant and equipment, net	**(46,576)**	48,576
Others, net	**438,929**	8,510
	1,214,120	(812,875)

* Other claim provision represents disputed claims with third parties.

44 Finance costs, net

	For the year ended	
	31 December 2022	31 December 2021
Finance expense		
Bank borrowings	**3,412,679**	3,453,399
Lease obligation	**3,017**	3,615
Less: Capitalised interest	**(835,850)**	(985,340)
Total	**2,579,846**	2,471,674
Changes in the present values of the employees' benefits obligations	**162,050**	110,414
Changes in the present values of the asset retirement obligation	**-**	9,531
Total finance expense	**2,741,896**	2,591,619
Interest income	**(61,231)**	(32,693)
Total interest income	**(61,231)**	(32,693)
Net finance costs	**2,680,665**	2,558,926

(All amounts in thousands Saudi Riyals unless otherwise stated)

45 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and the group benefits from long-term, interest-free government loans.

The Group monitors capital based on the debt ratio. This ratio is calculated on the basis of net adjusted debt divided by adjusted equity and adjusted net debt. Net debt is calculated as total loans (including "short term", "long term" and "sukuk loans" as stated in the consolidated statement of financial position) less cash and cash equivalents. Adjusted equity is recognised as "equity" as stated in the consolidated statement of financial position plus net adjusted debt. The Group strategy is to maintain an appropriate debt ratio in light of operational requirements and future expansion plans.

The Adjusted debt to equity ratios were as follows:

	31 December 2022	31 December 2021
Total borrowings	**99,854,031**	108,881,344
Less: Cash and cash equivalents	**(3,162,824)**	(6,243,256)
Adjusted net debt	**96,691,207**	102,638,088
Total equity	**257,050,724**	251,623,668
Adjusted equity and net debt	**353,741,931**	354,261,756
Adjusted debt to equity ratio	**27%**	29%

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management

46.1 Financial risk factors

The Group's activities expose it to market risk (foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's financial instruments are as follows:

	31 December 2022		
Financial assets as per the statement of financial position	**Financial assets through other comprehensive income**	**Financial assets at amortised cost**	**Total**
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	**359,335**	**-**	**359,335**
Derivative financial instruments	**209,806**	**-**	**209,806**
Financial assets not measured at fair value			
Financial asset at amortized cost	**-**	**28,528**	**28,528**
Cash and cash equivalents	**-**	**3,162,824**	**3,162,824**
Receivables from sale of electricity, net	**-**	**24,896,380**	**24,896,380**
Loans and advances	**-**	**379,653**	**379,653**
Other receivables	**-**	**2,673,898**	**2,673,898**
Total	**569,141**	**31,141,283**	**31,710,424**

	31 December 2021		
Financial assets as per the statement of financial position	**Financial assets through other comprehensive income**	**Financial assets at amortised cost**	**Total**
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	353,379	-	353,379
	15,620		15,620
Financial assets not measured at fair value			
Financial asset at amortized cost	-	31,074	31,074
Cash and cash equivalents	-	6,243,256	6,243,256
Receivables from sale of electricity, net	-	20,778,804	20,778,804
Loans and advances	-	326,421	326,421
Other receivables	-	1,652,317	1,652,317
Total	368,999	29,031,872	29,400,871

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.1 Financial risk factors - continued

	31 December 2022		
Liabilities as per the consolidated statement of financial position	**Derivatives**	**Other financial liabilities at amortised cost**	**Total**
Financial liabilities measured at fair value			
Derivative financial instruments	**79,611**		**79,611**
Financial liabilities not measured at fair value			
Loans	**-**	**66,112,511**	**66,112,511**
Sukuk	**-**	**33,741,520**	**33,741,520**
Trade payables	**-**	**3,188,684**	**3,188,684**
Accruals and other payables	**-**	**15,286,387**	**15,286,387**
Total	**79,611**	**118,329,102**	**118,408,713**

	31 December 2021		
Liabilities as per the consolidated statement of financial position	**Derivatives**	**Other financial liabilities at amortised cost**	**Total**
Financial liabilities measured at fair value			
Derivative financial instruments	594,149	-	594,149
Financial liabilities not measured at fair value			
Loans	-	64,721,524	64,721,524
Sukuk	-	44,159,820	44,159,820
Trade payables	-	2,988,268	2,988,268
Accruals and other payables	-	14,798,087	14,798,087
Payables to the government	-	4,570,538	4,570,538
Total	594,149	131,238,237	131,832,386

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

The audit committee monitors the Group's commitment to application of the risk management policies and procedures and reviews the adequacy of the overall framework associated with the risks faced by the Group. The internal audit activity assists the audit committee in the management of the Group.

46 Financial risk management – continued

46.2 Risk management framework

46.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risk:

- Foreign currency risk
- Commission rate risk (interest)
- Other price risk.

(a) Foreign currency risk

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency risk is linked to the change in value in the functional currency due to the difference in the underlying foreign currency of the relevant transaction. The Group's functional currency is the Saudi Riyal, which is pegged to the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals against the US Dollar. Except for US Dollar, most of the significant transaction are not subject to foreign currency risk. The financial assets in US Dollar amounted to USD 121 million as of 31 December 2022 (31 December 2021: USD 11.8 million), while the financial liabilities in US Dollar amounted to USD 15.3 billion (31 December 2021: USD 17 billion).

(b) Commission rate risk (interest)

Interest rate risk is the risk that either future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to change in cash flow due to change in interest rates. The Group enters into interest rate swaps in order to hedge the interest rate risk and these swaps are designated as derivative financial liability in the financial position.

The Group designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign exchange risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges where appropriate criteria are met.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.2 Risk management framework – continued

46.2.1 Market risk – continued

(b) Commission rate risk (interest) - continued

The Group's exposure to borrowing risk associated with changes in interest rates is as follows:

	31 December 2022	31 December 2021
Variable interest rate borrowings	**70,604,031**	66,381,344
Fixed interest rate borrowings	**29,250,000**	42,500,000

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and statement of profit or loss by the amount shown below. The analysis assumes that all other variables remain constant.

	For year ended 31 December 2022			
	Statement of profit or loss		**Statement of changes in equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Loans at variable-rates	(706,040)	706,040		
Interest rate swaps	-	-	(1,302)	1,302
Cash-flow sensitivity	(706,040)	706,040	(1,302)	1,302

	For year ended 31 December 2021			
	Statement of profit or loss		**Statement of changes in equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Loans at variable-rates	(663,813)	663,813	-	-
Interest rate swaps	-	-	5,492	(5,492)
Cash-flow sensitivity	(663,813)	663,813	5,492	(5,492)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arise from currency and interest rate risk). The Group exposed to the fair value risk due to changes in the prices of the available for sales financial assets owned by the Group, where the risk to which the Group exposed is not significant, as the available for sale financial assets includes investments in unquoted equity securities.

46.2.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales. Customers are not independently rated. The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.
Sales are settled in SADAD or using major credit cards and various electronic channels.

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.2 Risk management framework – continued

46.2.2 Credit risk – continued

Impairment on financial assets consist of:

	31 December 2022	31 December 2021
Impairment in electricity receivables	**3,580,487**	2,364,760
Impairment in debt instruments at amortized cost	**76**	76
Impairment in other debit balances	**437,196**	413,606

The credit quality of Electricity consumers receivables as follows:

		31 December 2022	31 December 2021
Simplified approach	Less than 3 months	**8,143,065**	9,048,171
	More than 3 months and less than 6 months	**834,292**	1,334,941
	More than 6 months and less than a year	**639,882**	984,673
	More than a year	**3,447,145**	2,998,339
General approach	-	**15,412,483**	8,777,440
		28,476,867	23,143,564

The Group uses the general approach to estimate the expected credit losses of government, semi-government entities and financial assets at amortized cost. The expected credit loss is calculated over the 12-month period or Lifetime ECL depending on the change in credit risk associated with financial instrument.

The Company believes that it is able to collect non-governmental receivables through the Company's ability to stop providing services to those who are late in paying their indebtedness in addition to their legal follow-up with the competent authorities. Non-government receivables account for 13% of total outstanding receivables for more than one year.

The Group uses a dedicated matrix to measure the expected credit losses of trade receivables from individual customers consisting of a very large number of small balances.

The Group takes into consideration the probability of default on the initial recognition of the asset and whether there is a significant increase in credit risk on an ongoing basis over each reporting period. The Group compares the non-payment risk that may arise to the asset at the reporting date with the risk of non-payment as at the date of initial recognition to assess whether there is a significant increase in credit risk. Reasonable and supportive information is taken into consideration, especially the following indicators:

- External credit rating (if available).
- Actual or expected significant adverse change in business, financial or economic situation. A significant change in the borrower's ability to meet their obligations is expected.
- A significant increase in the credit risk of other financial instruments to the same borrower.
- Significant changes in the value of the collateral supporting the liability or the quality of the third party guarantees or improvement of the credit.
- Significant changes in the borrower's expected performance and behaviour, including changes in the payment status of the borrowers in the Group and changes in the borrower's operating results.

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.2 Risk management framework – continued

46.2.2 Credit risk – continued

The Group's exposure to credit risk for electricity consumers as of 31 December 2022 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Receivables from sale of electricity	**9,164,866**	**9,481,934**	**9,830,067**	**28,476,867**
Less				
Provision for electricity receivables	**(1,704)**	**(537,194)**	**(3,041,589)**	**(3,580,487)**
Book value	**9,163,162**	**8,944,740**	**6,788,478**	**24,896,380**

The Group's exposure to credit risk for electricity consumers as of 31 December 2021 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Receivables from sale of electricity	8,164,230	4,102,672	10,876,662	23,143,564
Less				
Provision for electricity receivables	(1,148)	(745,938)	(1,617,674)	(2,364,760)
Book value	8,163,082	3,356,734	9,258,988	20,778,804

The group retain cash and cash equivalent are placed with commercial banks having investment a good grade credit rating.

On 31 December 2022 and 31 December 2021, there are no collateral financial instruments held.

Loans are secured by promissory notes signed by the Group for the nominal values of the loan plus the interest payments and/or murabaha margin.

Each Group entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales along with the current debit balances. Customers are not independently rated. The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

Risk limits are set based on a pre-identified credit limits on a customer-by-customer basis in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales are settled in cash, SADAD major credit cards and using electronic channel.

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.2 Risk management framework – continued

46.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet obligations associated with financial instruments.

The objective of liquidity risk management is to ensure that the Group has enough funding facilities available to meet its current and future obligations. The Company aims to maintain adequate flexibility in financing by keeping appropriate credit facilities available.

The Group expects to meet its future financial obligations without being affected by the shortfall in working capital, through cash receipts from receivables and through facilities and bank loans.
The group expects to meet its financial obligations without working capital deficit effect through cash collections of receivables and through bank facilities and loans.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity Groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date noting all current financial liabilities fall within a maturity period of one year or less. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 December 2022				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Non-derivative financial liabilities:					
Loans	**15,285,553**	**3,702,590**	**39,815,161**	**7,309,207**	**66,112,511**
Sukuk	**3,750,750**	**13,124,250**	**2,429,020**	**14,437,500**	**33,741,520**
Trade payables	**3,188,684**				**3,188,684**
Accrued expenses and other liabilities	**15,286,387**				**15,286,387**
Obligation Lease	**19,573**	**11,273**	**24,542**	**24,835**	**80,223**
Total	**37,530,947**	**16,838,113**	**42,268,723**	**21,771,542**	**118,409,325**

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management - continued

46.2 Risk management framework – continued

46.2.3 Liquidity risk – continued

	31 December 2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Loans	13,849,551	6,571,387	28,616,822	15,683,764	64,721,524
Sukuk	10,418,540	3,749,650	15,562,500	14,429,130	44,159,820
Trade payables	2,988,268	-	-	-	2,988,268
Accrued expenses and other liabilities	14.798.087	-	-	-	14.798.087
lease obligation	12,762	6,521	18,460	31,312	69,055
Payables to the government	4.570.538	-	-	-	4.570.538
Derivative financial instruments	104,628	473,901	15,620	-	594,149
Total	46,742,261	10,801,572	44,213,402	30,144,206	131,901,441

46.3 Fair-value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming the market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.3 Fair-value measurement – continued

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Financial asset through other comprehensive income			**359,335**	**359,335**
Total assets			**359,335**	**359,335**
Liabilities				
Derivatives used for hedging		**79,611**		**79,611**
Financial instruments liabilities		**79,611**		**79,611**
Equity				
Mudaraba instrument			**159,169,000**	**159,169,000**
Equity financial instrument			**159,169,000**	**159,169,000**

The following table presents the Group's financial assets and liabilities that are measured at fair value as of 31 December 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Financial asset through other comprehensive income	-	-	353,379	353,379
Total assets	-	-	353,379	353,379
Liabilities				
Derivatives used for hedging	-	594,149	-	594,149
Financial instruments liabilities	-	594,149	-	594,149
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000

Valuation techniques used to derive level 2 fair-value

Interest rate swaps are fair valued using the mark-to-market value (or fair value) of the interest rate swap technique. The effects of discounting are generally insignificant for Level 2 derivatives.

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

(All amounts in thousands Saudi Riyals unless otherwise stated)

46 Financial risk management – continued

46.3 Fair-value measurement – continued

Fair value measurements using significant unobservable inputs (Level 3)

The Group has four available-for-sale financial assets through OCI, 8% Stake in Shuaiba Water and Electricity Company; 8% Stake in Shuqaiq Water and Electricity Company; 5% Stake in Jubail Water and Power Company; 8% Stake in Shuaibah Expansion Holdings Company.

The fair valuation of these four investments is carried out using the dividend valuation model (DVM).

In accordance with this methodology, the expected future dividends from the investments are projected (the historical dividend pay-out pattern is used as a basis for future projections over the investment horizon) and discounted using the cost of equity as the relevant discount rate to ascertain the fair value of these investments.

Unrealized gross (loss) / profit for the year ended 31 December 2022 included in other comprehensive income ("change in fair value of financial asset at other comprehensive income") for financial statement at other comprehensive income amounted to SAR 5.9 million (2021: SAR 3.8 million).

As on 31 December 2022, it represents the expected dividends and the main variable cost of equity entered into the model used for the fair valuation of financial assets through other comprehensive income. An increase of 5% in the cost of equity will lead to a decrease of SAR 9.5 million (2021: SAR 15.5 million) in the fair valuation of financial assets through other comprehensive income, while a 5% decrease in the cost of equity will lead to an increase of 22.6 million Saudi riyals (2021: 16.7 million Saudi riyals), where the discount risk rate reached in 2022: 8% (2021: 8%)

A 5% increase / decrease in expected income will result in an increase / decrease of SAR 18 million (31 December 2021: SAR 17.7 million increase) in the fair valuation of financial asset through other comprehensive income.

The Group has determined the fair value of the Mudaraba is determined based on an income approach where perpetual cash flows based on the profit rate of the instrument are discounted at an appropriate discount rate of 4.3% derived based a cost of debt reflecting a yield to maturity of KSA Government Sukuk with longest maturity plus a premium for the perpetual nature of the instrument.

The regulatory weighted average cost of capital is estimated at 6% based on the Capital Asset Pricing Model using market-based assumptions and is considered a close proxy to the contractual WACC for the fair valuation purposes.

There have been no transfers between level 1, level 2 and level 3 fair values.

Movement in level 3 fair value financial instruments represented in financial assets through other comprehensive income during the year is as follows:

	31 December 2022	31 December 2021
Opening balance	**353,379**	349,618
Change in present value of the financial assets through other comprehensive income	**5,956**	3,761
Closing balance	**359,335**	353,379

Fair values of financial assets and liabilities measured at amortised cost

The fair values of the financial assets and liabilities approximates their carrying amount.

(All amounts in thousands Saudi Riyals unless otherwise stated)

47 Disposal of subsidiary

Pursuant to the approval of the General Assembly of the company on 30 January 2022. The Saudi Electricity Company ("the seller") entered into a sale and purchase agreement on 29 June 2022 to sell its share in the Saudi Power Procurement Company ("SPPC") to the government represented by the Ministry of Finance and the Ministry of Energy (together referred to as "the buyer"), provided that the sale value for selling SPPC equal the amount of the book value of the net assets of SPPC as per SPPC financial statement as at 30th June 2022. The amount of sale was settled with Ministry of Finance settlement (Note 32)

Along with this agreement, the Saudi Electricity Company and the Saudi Energy Procurement Company also signed the Business Transfer Framework Agreement, which transfers the commercial activities and related contracts for the purchase of energy from the generation activity of the Saudi Electricity Company and the independent power producing entities as well as the assignment of assets and associated liabilities from the Saudi Electricity Company to The Saudi Power Procurement Company, enabling it to fulfill its obligations as a major purchaser of electricity in the Kingdom of Saudi Arabia.

The summarized financial position for the disposal group:

	Amount
Property and equipment	1,767
Due from Saudi Electricity Company	193,184
Cash and cash equivalent	47,669
Prepayments and other Receivables	1,203
Other assets	15,932
Total Assets	**259,755**
Other liabilities	146,208
Employees' end of service benefits	68,571
Total Liabilities	**214,779**
Net assets	**44,976**
Disposal of Principle Buyer investment	(2,000)
Net disposal Principal Buyer (Retained earnings)	**42,976**

48 Asset held for sale

On 29 June 2022 corresponding to 30 Dhu al-Qa'dah 1443H, an agreement was signed to sell the current fuel inventory between the Saudi Electricity Company ("the seller"), and both Saudi Power Procurement Company and the Saudi Ministry of Finance and Ministry of Energy (together referred to as "the buyer"), provided that the value of the sale of the fuel inventory is to be paid to the Saudi Electricity Company by the Buyer according to the net book value of the inventory as in the Company's financial statements as at 30th June 2022, The amount of sale was settled with Ministry of Finance settlement (Note 32)

On 29 June 2022, the Saudi Electricity Company ("the seller") entered into a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and Ministry of Energy (together referred to as "the buyer") refer note 26, As a result, the disposal group is classified as assets held for sale and associated liabilities amounting to SAR 785 million and SAR 82 million on 31 December 2021 respectively, Furthermore continue to classify as discontinued operations in the statement of profit or loss for the disposed group of the Saudi Power Procurement Company till year end as at 31 December 2022 (which represent the operation have been done during period from 1 January 2022 till 30 June 2022):

	For the year ending	
	2022	2021
Other expense	**(58,614)**	(142,507)
Finance cost	**(906)**	(276)
loss before Zakat	**(59,520)**	(142,783)
Zakat expense	**(1,658)**	(2,610)
Disposed group (loss) / profit	**(61,178)**	(145,393)

The revenues of the Saudi Power Procurement Company amounted to SAR 73 million for the six-period ended 30 June 2022 (for year ended as 31 December 2021: SAR 159.7 million, which is entirely relating to sales revenues of the Group (transaction between group companies), which are eliminated when consolidating the financial statements for the group.
The effect of the net profit of the disposal group on the basic and diluted earnings per share of the group is not significant (note 38).

(All amounts in thousands Saudi Riyals unless otherwise stated)

49 Significant events

Climate change effect

The government of the Kingdom of Saudi Arabia has announced a set of initiatives that aim, among other things, to reduce carbon emissions by using renewable energy projects, which are expected to provide 50% of electricity production in the Kingdom of Saudi Arabia by 2030.

The Group is exposed to both short and long term climate change risks due to increased expectations of customers, investors, financiers and government. These risks are an integral part of the generation, transmission and distribution of electricity. Group management is constantly working to reduce the environmental impact of the business, in part, due to inherent risks.

The higher fuel consumption costs and greenhouse gas emissions associated with the consumption of liquid fuels have an impact not only on the environment, but also on the Group's net financial profile, and the Group considers that there is no material impact resulting from these initiatives on the values of machinery and property and associated impairment losses.

The Group is currently working on developing a strategy to improve its energy performance through efficient energy consumption and generation from sustainable sources.

50 Non-cash transactions

The most important basic non-cash transactions for the year ended 31 December 2022 are as follows:

The statement of cash flows has been affected by the impact of the most important non-cash transactions that resulted from the derecognition of the proportional consolidation of the independent power producers as follows:

	30 June 2022
Property, plant and equipment, net	9,940,708
Other assets	1,337,292
Equity accounted investees	(2,858,127)
loans and facilities	(7,556,581)
Other liabilities	(863,292)

51 Subsequent Event

- On 23 Rajab 1444 AH corresponding to 14 February 2023, the Company signed a joint local financing agreement with a group of local banks amounting to SAR 10 billion for a period of 7 years to finance the Company's working capital and capital expenditures

- The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law if needed. Consequently, the Company shall present the amended By-Laws to the shareholders in their General Assembly meeting for their ratification.

52 Approval of the consolidated financial statements

The Group's consolidated financial statements were approved by the Group’s Board of Directors on 22 shaaban 1444H corresponding to 14 March 2023.

الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You