

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**

Condensed consolidated interim financial statements (unaudited)  
Together with independent auditors report on review  
for the three-month period ended 31 March 2022

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)**

Condensed consolidated interim financial statements (unaudited) and independent auditor's review report

For the three-month period ended 31 March 2022

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## KPMG Professional Services

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## كي بي إم جي للاستشارات المهنية

والجبة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Saudi Electricity Company – A Saudi Joint Stock Company

## Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial statements of Saudi Electricity Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2022;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed consolidated interim financial statements of Saudi Electricity Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services



Hani Hamzah A. Bedairi  
License No: 460

Date: 16 Shawaal 1443 H  
Corresponding to: 17 May 2022



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كي بي إم جي للاستشارات المهنية، شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاء محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المسجلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الجزيرة محدودة بضمان. جميع الحقوق محفوظة.

**SAUDI ELECTRICITY COMPANY**
**(A Saudi Joint Stock Company)**
**Condensed Consolidated Interim Statement of Financial Position as at 31 March 2022 (unaudited)**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 March 2022 (unaudited)	31 December 2021 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	10	438,312,108	438,731,462
Right of use assets, net		62,695	63,606
Investment properties		448,524	449,200
Intangible assets, net		406,459	408,977
Equity accounted investees		1,465,355	1,470,036
Financial assets at amortised cost		31,074	31,074
Financial assets through other comprehensive income		353,379	353,379
Derivative financial instruments		150,158	15,620
<b>Total non-current assets</b>		<b>441,229,752</b>	<b>441,523,354</b>
<b>Current assets</b>			
Inventories, net	11	3,581,700	3,321,525
Receivables from sale of electricity, net	12	23,840,000	20,778,804
Loans and advances		606,164	543,518
Prepayments and other receivables	13	1,228,342	1,687,051
Assets held for sale	26	951,536	785,266
Cash and cash equivalents		2,009,890	6,243,256
<b>Total current assets</b>		<b>32,217,632</b>	<b>33,359,420</b>
<b>Total assets</b>		<b>473,447,384</b>	<b>474,882,774</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		41,665,938	41,665,938
Statutory reserve		5,592,453	5,592,453
General reserve		702,343	702,343
Other reserves		(59,558)	(639,480)
Contractual reserve – Mudaraba instrument	15	2,749,699	860,593
Retained earnings		35,149,400	35,521,258
<b>Total equity before Mudaraba Instrument (1)</b>		<b>85,800,275</b>	<b>83,703,105</b>
Fair value for Mudaraba instrument		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
<b>Mudaraba instrument (2)</b>		<b>167,920,563</b>	<b>167,920,563</b>
<b>Total equity (1+2)</b>		<b>253,720,838</b>	<b>251,623,668</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loans	16.2	49,653,832	50,871,973
Long term Sukuk	16.2	33,741,420	33,741,280
Employees' benefits obligation		8,021,412	7,938,396
Non-current portion of Deferred revenue		64,446,571	63,854,362
Deferred government grants		1,506,321	1,525,987
Derivative financial instruments	16.3	124,659	489,521
Asset retirement obligations		272,221	269,644
Non-current portion of lease liabilities		54,531	56,406
<b>Total non-current liabilities</b>		<b>157,820,967</b>	<b>158,747,569</b>
<b>Current liabilities</b>			
Short term loans and facilities	16.2	13,986,097	13,849,551
Short term Sukuk	16.2	5,730,690	10,418,540
Trade payables		3,439,784	2,988,268
Accruals and other payables		13,067,299	14,798,087
Provision for other liabilities and charges		1,522,657	1,492,601
Refundable deposits from customers		1,999,343	1,998,510
Payables to the government		4,570,538	4,570,538
Advance from subscribers		15,049,246	11,915,015
Current portion of deferred revenue		2,425,817	2,281,075
Current portion of lease liabilities		11,490	12,649
Liabilities related to assets held for sale	26	79,220	82,075
Derivative financial instruments	16.3	23,398	104,628
<b>Total current liabilities</b>		<b>61,905,579</b>	<b>64,511,537</b>
<b>Total liabilities</b>		<b>219,726,546</b>	<b>223,259,106</b>
<b>Total equity and liabilities</b>		<b>473,447,384</b>	<b>474,882,774</b>

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed Consolidated Interim Statement of Profit or loss (unaudited)**  
**For the three-month period ended 31 March 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 March 2022 (unaudited)	31 March 2021 (unaudited)
Operating revenue	20	13,531,320	13,348,372
Cost of revenue	21	(10,892,931)	(10,420,293)
<b>Gross profit</b>		<b>2,638,389</b>	<b>2,928,079</b>
Other income, net	22	151,196	133,054
Provision for receivable from consumption of electricity and other receivables, net	12-b 13-a	(345,986)	(618,241)
General and administrative expenses		(235,026)	(161,991)
<b>Operating profit for the period</b>		<b>2,208,573</b>	<b>2,280,901</b>
Finance income		46,828	43,256
Finance expense		(700,770)	(593,591)
<b>Finance costs, net</b>	23	<b>(653,942)</b>	<b>(550,335)</b>
Share of loss of equity accounted investees		(5,848)	(19,432)
<b>Profit for the period before zakat</b>		<b>1,548,783</b>	<b>1,711,134</b>
Zakat expenses	19	(1,076)	(889)
<b>Profit for the period from continued operations</b>		<b>1,547,707</b>	<b>1,710,245</b>
<b>Discontinued operations</b>			
<b>Loss for the period from discontinued operations</b>	26	<b>(30,459)</b>	<b>(21,116)</b>
<b>Profit for the period</b>		<b>1,517,248</b>	<b>1,689,129</b>
<b>Earnings (Loss) per share</b>			
(expressed in SAR per share)			
Basic and diluted (Loss) per share from continuing operations	24	(0.08)	(0.04)
Basic and diluted loss per share	24	(0.09)	(0.05)

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of other comprehensive income (unaudited)**  
**For the three-month period ended 31 March 2022**  
 (All amounts in thousands Saudi Riyals unless otherwise stated)

	For the three-month ended 31 March	
	2022	2021
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>1,517,248</b>	<b>1,689,129</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified subsequently to condensed consolidated interim statement of profit or loss :</b>		
Derivative financial instruments at fair value - effective portion	579,907	241,760
<b>Total items that may be reclassified to condensed consolidated interim statement of profit or loss</b>	<b>579,907</b>	<b>241,760</b>
<b>Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss :</b>		
Re-measurement of employees' benefits obligation	15	-
<b>Total items that will not be reclassified to condensed consolidated interim statement of profit or loss</b>	<b>15</b>	<b>-</b>
<b>Other comprehensive income for the period</b>	<b>579,922</b>	<b>241,760</b>
<b>Total comprehensive income for the period</b>	<b>2,097,170</b>	<b>1,930,889</b>

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in equity (unaudited)**  
**For the three-month period ended 31 March 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Other reserves				Mudaraba instrument						
				Fair value of derivatives	Employees ' benefits obligation	Financial asset at FVOCI	Total other reserve	Contractual reserve for Mudaraba Instrument	Retained earnings	Total equity before Mudaraba Instrument (1)	Fair value of Mudaraba instrument	Fair value adjustment for Mudaraba instrument	Mudaraba instrument (2)	Total equity (1+2)
Balance as at 1 January 2021 (audited)	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	159,169,000	8,751,563	167,920,563	247,774,552
Profit for the period	-	-	-	-	-	-	-	-	1,689,129	1,689,129	-	-	-	1,689,129
Other comprehensive Income	-	-	-	241,760	-	-	241,760	-	-	241,760	-	-	-	241,760
Total comprehensive Income	-	-	-	241,760	-	-	241,760	-	1,689,129	1,930,889	-	-	-	1,930,889
Transfer to Contractual reserve – Mudaraba instrument (note 15)	-	-	-	-	-	-	-	1,889,107	(1,889,107)	-	-	-	-	-
Balance as at 31 March 2021 (unaudited)	41,665,938	4,153,366	702,343	(860,722)	282,996	76,988	(500,738)	2,816,482	32,947,487	81,784,878	159,169,000	8,751,563	167,920,563	249,705,441
Balance as at 1 January 2022 (audited)	41,665,938	5,592,453	702,343	(600,648)	(119,581)	80,749	(639,480)	860,593	35,521,258	83,703,105	159,169,000	8,751,563	167,920,563	251,623,668
Profit for the period	-	-	-	-	-	-	-	-	1,517,248	1,517,248	-	-	-	1,517,248
Other comprehensive Income	-	-	-	579,907	15	-	579,922	-	-	579,922	-	-	-	579,922
Total comprehensive income	-	-	-	579,907	15	-	579,922	-	1,517,248	2,097,170	-	-	-	2,097,170
Transfer to Contractual reserve – Mudaraba instrument (note 15)	-	-	-	-	-	-	-	1,889,106	(1,889,106)	-	-	-	-	-
Balance as at 31 March 2022 (unaudited)	41,665,938	5,592,453	702,343	(20,741)	(119,566)	80,749	(59,558)	2,749,699	35,149,400	85,800,275	159,169,000	8,751,563	167,920,563	253,720,838

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

**SAUDI ELECTRICITY COMPANY**
**(A Saudi Joint Stock Company)**
**Notes to the condensed consolidated interim financial statements (unaudited)**
**For the three-month period ended 31 March 2022**
**(All amounts in thousands Saudi Riyals unless otherwise stated)**

	<b>31 March 2022</b> <b>(unaudited)</b>	31 March 2021 (unaudited)
<b>Cash flow from operating activities</b>		
Profit for the period	1,517,248	1,689,129
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	4,657,853	4,748,052
Depreciation of right of use asset	3,459	14,784
Amortisation of intangible assets	2,518	16,584
Finance costs, net	653,942	550,335
Employees' benefits obligation	250,470	147,074
Impairment in inventory	74,542	31,412
Provision for receivable from consumption of electricity and other receivables	345,986	618,241
Share of loss of equity accounted investees	5,848	19,432
Provision for other liabilities and charges	28,983	49,674
Amortisation of deferred government grant	(19,666)	(13,891)
Depreciation of investment properties	676	769
Zakat expense	1,076	889
Gain on disposal of property, plant and equipment	(28,618)	(20,365)
<b>Cash flow after adjustment of non-cash item</b>	<b>7,494,317</b>	<b>7,852,119</b>
<b>Changes in working capital:</b>		
Inventories	(476,931)	(48,913)
Receivables from sale of electricity	(3,351,879)	(1,370,582)
Prepayments and other receivables	395,828	(614,523)
Loans and advances	(62,646)	32,788
Trade payables	451,516	384,770
Accruals and other liabilities	(679,914)	365,143
Refundable deposits from customers	833	1,305
Advances from subscribers	3,134,231	678,762
Deferred revenue	736,951	649,934
Employee benefits' obligation paid	(206,524)	(141,260)
<b>Cash generated from operating activities</b>	<b>7,435,782</b>	<b>7,789,543</b>
Zakat paid	-	(881)
<b>Net cash generated from operating activities</b>	<b>7,435,782</b>	<b>7,788,662</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(5,032,750)	(5,075,861)
Proceeds from sale of property, plant and equipment	28,743	24,973
Payments for intangible assets	-	(7,500)
Cash classified as investment held for sale	(16,479)	-
<b>Net cash used in investing activities</b>	<b>(5,020,486)</b>	<b>(5,058,388)</b>
<b>Cash flow from financing activities</b>		
Proceeds from loans	-	2,137,588
Repayments of loans	(1,013,320)	(4,259,007)
Repayments of Sukuk	(4,687,850)	-
Payment for lease liabilities	(5,802)	(15,617)
Receipt of government grant	-	198,234
Dividends paid	(1,005)	(5,067)
Net finance costs paid	(940,685)	(955,068)
<b>Net cash used in financing activities</b>	<b>(6,648,662)</b>	<b>(2,898,937)</b>
<b>Net change in cash and cash equivalents</b>	<b>(4,233,366)</b>	<b>(168,663)</b>
Cash and cash equivalents at the beginning of the period	6,243,256	4,539,092
<b>Cash and cash equivalents at the end of the period</b>	<b>2,009,890</b>	<b>4,370,429</b>

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.



## SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2022

(All amounts in thousands Saudi Riyals unless otherwise stated)

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### 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 29<sup>th</sup> 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 13<sup>th</sup> December 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5<sup>th</sup> Ramadan 1420H corresponding to 12<sup>th</sup> December 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to 5<sup>th</sup> 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 13<sup>th</sup> November 2001 according to Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H. The change on tariff was made through the Council of Ministers' Resolution Number 170 dated 12 Rajab 1421H and was effective from 1 Sha'aban 1421H corresponding to 28<sup>th</sup> October 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts/hour.

This was further amended by the Council of Ministers in its decision (number 333) dated 16 Shawwal 1430H, corresponding to 5<sup>th</sup> 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 1<sup>st</sup> July 2010.

On 17<sup>th</sup> Rabi Awal 1437H corresponding to 28<sup>th</sup> December 2015, Council of Ministers issued its resolution (Number 95), to increase price of electricity effective from 18 Rabi Awal 1437H corresponding to 29<sup>th</sup> 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 11<sup>th</sup> 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 7<sup>th</sup> November 2020) Royal Decree No. (16031) was issued to cancel the government fee.

On 29 of Rabi Al Awwal 1442H corresponding to 15<sup>th</sup> 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 15<sup>th</sup> October 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to 27<sup>th</sup> January 2020, the balancing account has been activated by the Ministry of Finance starting from 2019. In line with the letter; No. 2057-dated 29 Rabi Awal 1442 corresponding to 15<sup>th</sup> November 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector.

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements (unaudited)****For the three-month period ended 31 March 2022**

(All amounts in thousands Saudi Riyals unless otherwise stated)

**1 Corporate information – continued**

The balancing account is calculated on the basis of forecasts determined by the regulatory framework. This represents the difference between the revenue required and specified by the regulator and the annual revenue expected to be achieved by the Company, provided that the balancing account revenue is settled by increase or decrease when the balancing account is approved for the year 2023 by the authority. The Company estimates the balancing account revenue to be recorded for the period based on the actual results achieved and makes the necessary adjustments, as appropriate.

On 14 Safar 1443H, corresponding to 21<sup>st</sup> 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 qualified for this tariff. By submitting a request to the consumer to apply the tariff to his 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 shall be implemented as of 1 January 2022.

According to the Company's bylaws, the financial year begins on 1<sup>st</sup> January and ends on 31<sup>st</sup> December of each Gregorian year, The financial year of the subsidiaries starts from the first of January and ends at the end of December of each Gregorian year.

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

Saudi Electricity Company will be referred to as (“Company”) or together with its subsidiaries and joint operations as (“Group”) throughout the financials. The subsidiaries, joint operations and joint venture are listed below.

Subsidiary Company's name	Country of registration and place of business	Ownership in ordinary shares %		Principal activity
		31 March 2022	31 December 2021	
National Grid S.A. Company “Grid Company”	Kingdom of Saudi Arabia	100	100	Transmission Telecommuni
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	cation
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	100	Financing
Saudi Power Procurement Company (note 26)	Kingdom of Saudi Arabia	100	100	Principal Buyer
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommuni
Saudi Energy Production Company (operating activity not commenced)	Kingdom of Saudi Arabia	100	100	cation Energy Generation

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements (unaudited)**  
**For the three-month period ended 31 March 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

**1 Corporate information – continued**

These financial statements include Group's share in joint operation as below:

		Holding company ownership percentage shares%	
		31 March 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
Effective ownership percentage shares %			
Country of registration and activity		31 March 2022	31 December 2021
Joint Venture			
Global Data Hub Company	Kingdom of Saudi Arabia	50	50

**2 Significant events**  
**Covid-19 pandemic:**

The Corona Virus ("Covid-19") pandemic continues to disrupt global markets as many geographical regions are experiencing problems due to the identification of several new mutated strains of infection, although they previously controlled the outbreak of the virus through strict precautionary measures. However, the government of Saudi Arabia has been able to successfully control the outbreak of the virus until now .

The management of the Group studies and follows up on all other variables that may affect the activities of the Group, and the Group believes that there is no current impact on the Group's results for the period ending on 31 March 2022. The Group continues to assess the current macroeconomic situation, including the impact of the pandemic and the extent of the future financial impact on the Group's results as a result of the continuation of the pandemic until the date of issuance of these consolidated financial statements.

**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.

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 profit, 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 energy production from sustainable sources.

### **3 Basis of preparation**

These condensed consolidated interim financial statements for the three-month ended 31 March 2022 have been prepared in accordance with IAS 34 'Interim financial reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

### **4 Use of estimates, assumptions and judgements**

The preparation of the Group's condensed 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's annual consolidated financial statements as of 31 December 2021.

### **5 Basis of measurement**

The condensed consolidated interim 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.

These condensed interim 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.

### **6 Significant accounting policies**

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021.

Accounting policies adopted in preparation of these condensed consolidated interim financial statements are described in note 6 of the Group's consolidated financial statements for the year ended 31 December 2021.

### **The effect of changes in accounting policies as a result of applying the new international financial reporting standards**

There are no new standards issued, however, several amendments to the standards are in effect from 1 January 2022, which have been explained in the Group's annual financial statements and that have no impact on the Group's interim consolidated financial statements.

### **7 Financial risk management**

#### **7.1 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:

**7 Financial risk management - continued**

**7.1 Fair-value measurement - continued**

- 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 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- 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).

For assets and liabilities that are recognised in the condensed interim 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:

<b>As of 31 March 2022 Unaudited</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets through other comprehensive income	-	-	353,379	353,379
<b>Total assets</b>	-	-	353,379	353,379
<b>Liabilities</b>				
Derivatives used for hedging	-	148,057	-	148,057
<b>Financial instruments liabilities</b>	-	148,057	-	148,057
<b>Equity</b>				
Mudaraba instrument	-	-	159,169,000	159,169,000
<b>Equity financial instrument</b>	-	-	159,169,000	159,169,000
<b>As of 31 December 2021 Audited</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets through other comprehensive income	-	-	353,379	353,379
<b>Total assets</b>	-	-	353,379	353,379
<b>Liabilities</b>				
Derivatives used for hedging	-	594,149	-	594,149
<b>Financial instruments liabilities</b>	-	594,149	-	594,149
<b>Equity</b>				
Mudaraba instrument	-	-	159,169,000	159,169,000
<b>Equity financial instrument</b>	-	-	159,169,000	159,169,000

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**7 Financial risk management - continued****7.1 Fair-value measurement - continued****Valuation techniques used to derive level two 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 two derivatives.

**Fair value measurements using significant unobservable inputs (Level three)**

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.

The Group has four financial assets financial asset through OCI i.e.

- 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 Shuaiba 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.

Projected dividends and cost of equity are the main input variables for the utilised model for the fair valuation of financial assets at fair value through other comprehensive income.

There have been no transfers between fair values levels during the three months ended 31 March 2022.

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

	<u><b>31 March 2022</b></u>	<u><b>31 December 2021</b></u>
	<u><b>Unaudited</b></u>	<u><b>Audited</b></u>
Opening balance at the beginning of the period / year	353,379	349,618
Change in Fair value of the financial assets through other comprehensive income	-	3,761
Closing balance at the end of the period / year	<u><u>353,379</u></u>	<u><u>353,379</u></u>

**Fair value of financial assets and liabilities measured at amortised cost**

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

**Mudaraba instrument**

The fair value of the Mudaraba is initially determined using the income approach, where perpetual cash flows plus the agreed profit rate on the instrument is discounted using an appropriate discount rate of 4.3%. This discount rate is derived using the following:

- the cost of debt (yield to maturity) for a sukuk issued by the Government of the Kingdom of Saudi Arabia with the longest maturity plus and
- the premium of 6% (weighted average cost of capital) determined by the regulator (WERA) given the perpetual nature of the instrument.

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For the three-month period ended 31 March 2022

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### 8 Seasonality of operations

The operations and revenues of the Group are affected by seasonal weather changes during the year. Revenues are materially lower during the winter months due to lower consumption of electricity whereas higher revenues are earned during summer months due to the increase in consumption of electricity as a result of high temperatures. Therefore, the results of operations for this interim period may not be an accurate indication of the actual results for the full year.

### 9 Operating segments and the future restructuring 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 to 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:** Generating 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.

**Principal buyer:** Purchase of power with the Group companies and from other power producers (discontinued operation).

On 24 Rabi' al-Thani 1443 H corresponding to 29 November 2021, the Group publicly announced the approval of the Saudi Arabian Council of Ministers ("the Cabinet") for SEC to take all the necessary legal procedures to transfer the share of ownership of the Group's entire equity in Saudi Power Procurement Company ("SPPC") to the Government of the Kingdom of Saudi Arabia. This decision aims to establish transparency in commercial relations between parties operating in the electricity sector and to activate work mechanisms on an economic basis, which contributes on achieving the objectives of the electricity sector in the Kingdom, including reducing the use of liquid fuels, raising the level of environmental compliance, and enhancing the reliability of electricity transmission and distribution networks. 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 complete 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.

On 27 Jumada al-Alkhirah 1443 H corresponding to 30 January 30, 2022, the Ordinary General Assembly approved the sale and transfer of all the shares of the Saudi Electricity Company in the Saudi Energy Power Procurement Company (the principal buyer) to the ownership of the state (note 26).

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

The financial information of the Saudi Electricity Company in the following schedule includes the generation activities (the generation license is under process to transfer to the Saudi Power Production Company), 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 and with reference to (note 21), the discontinued operations pertaining to the principal buyer are presented in these have been presented to the main buyer and included within the Saudi Electricity Company financial statements. In addition to that The financial information is presented as follows:

- For the joint operations as a separate segment for the electricity production, generation and distribution;
- For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
- For other segments includes the telecommunication activities sector.

**SAUDI ELECTRICITY COMPANY**
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**For the three-month period ended 31 March 2022**
**(All amounts in thousands Saudi Riyals unless otherwise stated)**
**9 Segment information and future structure of the Group's activities – continued**
**For the three-month period ended 31 March 2022 -**
**in (SAR Million)**

	<b>Saudi Electricity Company</b>	<b>National Grid S.A Company</b>	<b>Joint Operations</b>	<b>Other subsidiaries</b>	<b>Intercompany transactions</b>	<b>Total</b>
<b>Revenue</b>						
External consumers	13,418	-	-	127	(14)	13,531
Between sectors	-	4,683	299	-	(4,982)	-
<b>Total revenue</b>	<b>13,418</b>	<b>4,683</b>	<b>299</b>	<b>127</b>	<b>(4,996)</b>	<b>13,531</b>
<b>Cost of sales</b>						
Fuel	(1,189)	-	-	-	-	(1,189)
Purchased power	(2,224)	-	-	-	-	(2,224)
Operating and maintenance costs	(7,260)	(529)	(99)	-	4,982	(2,906)
Depreciation - Operation and Maintenance	(2,682)	(1,771)	(97)	(35)	14	(4,571)
Depreciation - Right of Use	(3)	-	-	-	-	(3)
<b>Total cost of sales</b>	<b>(13,358)</b>	<b>(2,300)</b>	<b>(196)</b>	<b>(35)</b>	<b>4,996</b>	<b>(10,893)</b>
General and administrative expenses	(87)	(24)	(23)	(14)	-	(148)
Depreciation - general and administrative	(87)	-	-	-	-	(87)
<b>Total general and administrative expenses</b>	<b>(174)</b>	<b>(24)</b>	<b>(23)</b>	<b>(14)</b>	<b>-</b>	<b>(235)</b>
Other income, net	284	1	-	21	(155)	151
Provision for receivable from consumption of electricity and other receivables, net	(346)	-	-	-	-	(346)
Finance cost, net	(546)	(161)	(102)	-	155	(654)
Share of loss from equity accounted investee	(6)	-	-	-	-	(6)
Zakat expenses, net	-	-	(1)	-	-	(1)
Loss from discontinued operation	(30)	-	-	-	-	(30)
<b>(Loss) / profit for the period</b>	<b>(758)</b>	<b>2,199</b>	<b>(23)</b>	<b>99</b>	<b>-</b>	<b>1,517</b>
<b>As at 31 March 2022 in (SAR Million)</b>						
<b>Property, plant and equipment, net</b>	<b>255,356</b>	<b>169,990</b>	<b>10,027</b>	<b>2,939</b>	<b>-</b>	<b>438,312</b>
<b>Total assets</b>	<b>402,834</b>	<b>174,344</b>	<b>11,446</b>	<b>3,571</b>	<b>(118,748)</b>	<b>473,447</b>
<b>Total liabilities</b>	<b>159,849</b>	<b>156,245</b>	<b>8,373</b>	<b>1,808</b>	<b>(106,548)</b>	<b>219,727</b>



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9 Segment information and future structure of the Group's activities – continued

**For the three-month period ended 31 March 2021 - in (SAR Million)**

	<b>Saudi Electricity Company</b>	<b>National Grid Company</b>	<b>Joint Operations</b>	<b>Other subsidiaries</b>	<b>Intercompany transactions</b>	<b>Total</b>
<b><u>Revenue</u></b>						
External consumers	13,311	-	-	51	(14)	13,348
Between segments	-	4,271	332	-	(4,603)	-
<b>Total revenue</b>	<b>13,311</b>	<b>4,271</b>	<b>332</b>	<b>51</b>	<b>(4,617)</b>	<b>13,348</b>
<b><u>Cost of revenue</u></b>						
Fuel	(1,107)	-	-	-	-	(1,107)
Purchased power	(2,121)	-	-	-	-	(2,121)
Operating and maintenance costs	(6,496)	(550)	(80)	-	4,603	(2,523)
Depreciation - Operation and maintenance	(2,685)	(1,827)	(133)	(24)	14	(4,655)
Depreciation - Right of use asset	(15)	-	-	-	-	(15)
<b>Total cost of revenue</b>	<b>(12,424)</b>	<b>(2,377)</b>	<b>(213)</b>	<b>(24)</b>	<b>4,617</b>	<b>(10,421)</b>
General and administrative expenses	(16)	(15)	(27)	(10)	-	(68)
Depreciation - general and administrative	(94)	-	-	-	-	(94)
<b>Total general and administrative expenses</b>	<b>(110)</b>	<b>(15)</b>	<b>(27)</b>	<b>(10)</b>	<b>-</b>	<b>(162)</b>
Other revenue, net	240	25	-	14	(146)	133
Provision for receivable from consumption of electricity and other receivables, net	(618)	-	-	-	-	(618)
Finance cost, net	(441)	(150)	(105)	-	146	(550)
Share of loss from equity accounted investee	(19)	-	-	-	-	(19)
Loss of period from discontinued operations	(21)	-	-	-	-	(21)
Zakat expense, net	-	-	(1)	-	-	(1)
<b>Net (loss) / profit for the period</b>	<b>(82)</b>	<b>1,754</b>	<b>(14)</b>	<b>31</b>	<b>-</b>	<b>1,689</b>
<b><u>As at 31 December 2021 – (SAR Million)</u></b>						
Property, plant and equipment, net	254,641	171,160	10,108	2,822	-	438,731
<b>Total assets</b>	<b>411,700</b>	<b>171,662</b>	<b>11,520</b>	<b>3,313</b>	<b>(123,313)</b>	<b>474,882</b>
<b>Total liabilities</b>	<b>210,122</b>	<b>113,532</b>	<b>8,817</b>	<b>1,901</b>	<b>(111,113)</b>	<b>223,259</b>

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**10 Property, plant and equipment, net**

As at 31 March 2022, the cost of property, plant and equipment is SAR 721 billion (31 December 2021: SAR 717 billion). Accumulated depreciation is SAR 283 billion (31 December 2021: SAR 278 billion).

An amount of SAR 3 billion (31 December 2021: SAR 38 billion) was transferred from projects under construction to property, plant and equipment. The additions to projects under construction for the period amounting to SAR 4.8 billion (31 December 2021: SAR 20 billion).

Capitalized Finance charges during the period on projects under construction amounting to SAR 212 million (31 December 2021: SAR 985 million).

**11 Inventories, net**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Material and supplies - Generation plant *	<b>2,209,973</b>	2,228,314
Materials and supplies - Distribution network*	<b>1,690,350</b>	1,385,209
Materials and supplies - Transmission network*	<b>268,247</b>	267,807
Others *	<b>258,596</b>	262,270
<b>Total</b>	<b>4,427,166</b>	4,143,600
Less: Provision for slow moving inventories (a)	<b>(845,466)</b>	(822,075)
	<b>3,581,700</b>	3,321,525

\*The amounts are net off of impairment against the value of the inventories totalling SAR 416 million SAR as of at 31 March 31, 2022 (31 December 31, 2021: SAR 365 million SAR).

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

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Balance at the beginning of the period / year	<b>822,075</b>	807,871
Charge for the period / year	<b>23,391</b>	14,204
<b>Balance at the end of the period / year</b>	<b>845,466</b>	822,075

**12 Receivables from sale of electricity, net**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Governmental institutions	<b>8,212,100</b>	5,005,265
Commercial and residential and industrial	<b>12,348,094</b>	13,062,452
Receivables for electricity service connection projects	<b>1,506,080</b>	894,109
Due from related parties	<b>869,844</b>	692,276
Other government receivables (a)	<b>398,932</b>	-
<b>Total electricity consumers' receivable</b>	<b>23,335,050</b>	19,654,102
Less: provision for doubtful electricity receivables (b)	<b>(2,614,578)</b>	(2,364,760)
Add: Unbilled revenues	<b>3,119,528</b>	3,489,462
	<b>23,840,000</b>	20,778,804

(a) This balance represents the amount receivable from Ministry of Finance with regards to the balancing account.

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**12 Receivables from sale of electricity, net - Continued**

(b) The movement in the provision for doubtful electricity receivables during the period / year is as follow:

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Balance at the beginning of the period / year	<b>2,364,760</b>	1,467,536
Charge for the period / year	<b>290,683</b>	897,224
Write-off in the period / year	<b>(40,865)</b>	-
<b>Balance at the end of the period / year</b>	<b>2,614,578</b>	2,364,760

**13 Prepayment and other receivables**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Prepaid expenses and others	<b>94,991</b>	34,734
Insurance and other claims	<b>180,758</b>	168,662
Other receivable net	<b>1,421,502</b>	1,897,261
<b>Total</b>	<b>1,697,251</b>	2,100,657
Less: Provision for doubtful other receivables balances (a)	<b>(468,909)</b>	(413,606)
<b>Total</b>	<b>1,228,342</b>	1,687,051

(a) The movement in the other receivable balances during the period / year is as follow:

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Balance at the beginning of the period / year	<b>413,606</b>	235,899
Charge for the period / year	<b>55,303</b>	177,707
<b>Balance at the end of the period / year</b>	<b>468,909</b>	413,606

**14 Transaction with the owners that are recognized directly to equity**

The Company's General Assembly, in its meeting held on 15 Ramadan 1442H corresponding to 27 April 2021, approved the distribution of cash dividends for the year 2020 to the shareholders of the Company amounting to SAR 2.9 billion, SAR 0.70 per share, representing 7% of the par value of the share (2019: SAR 749.3 million).

The Board of Directors of the Company, in its meeting held on 12 Shaaban 1443H corresponding to 15 March 2022, recommended to the General Assembly for the payment of cash dividends for the year 2021 to the shareholders of the Company amounting to SAR 2.917 Billion at 0.70 Saudi riyals per share, representing 7% of the par value of the share.

**15 Contractual reserve for 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 29/03/1442H corresponding to 15/11/2020), 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 27<sup>th</sup> December 2020, approved to create contractual reserve for the purpose of payment of the profits from the contractual agreement concluded between the Company and the Ministry of Finance and referred to in the Mudaraba agreement.

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**15 Contractual reserve for Mudaraba instrument - continued**

Furthermore, the General Assembly also authorized the Board of Directors to transfer the amount from the Company's retained earnings to the contractual reserve and use the agreed reserve to pay the Mudaraba profits in accordance with the provisions of the Mudaraba Agreement as follows:

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	<b>Audited</b>
Balance at the beginning of the period / year	<b>860,593</b>	927,375
Transferred from retained earnings during period / year	<b>1,889,106</b>	7,661,376
Paid during the period / year	-	(7,728,158)
<b>Balance at the period /end of the year</b>	<b>2,749,699</b>	<b>860,593</b>

**16 Financial instruments****16.1 Financial instruments other than interest bearing**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	<b>Audited</b>
<b>Derivative financial liabilities</b>		
Derivative financial instruments at fair value(note 16.3)	<b>148,057</b>	594,149
	<b>148,057</b>	<b>594,149</b>
<b>Other financial liabilities carried at amortized cost, other than interest bearing loans</b>		
Trade payables	<b>3,439,784</b>	2,988,268
Accruals and other liabilities	<b>13,067,299</b>	14,798,087
Payables to the government	<b>4,570,538</b>	4,570,538
Refundable deposits from customers	<b>1,999,343</b>	1,998,510
<b>Total other financial liabilities carried at amortized cost, other than interest bearing loans</b>	<b>23,076,964</b>	<b>24,355,403</b>

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**16 Financial instruments – continued**

**16.2 Interest bearing liabilities**

Classification of borrowings as appearing on the condensed consolidated interim statement of financial position as of 31 March 2022 is as follows:

	<b>Bank Loans</b>	<b>Sukuk</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Non-current	49,653,832	33,741,420	83,395,252
Current	13,986,097	5,730,690	19,716,787
	<b>63,639,929</b>	<b>39,472,110</b>	<b>103,112,039</b>

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

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

Movements in borrowings during the year /period are as follows:

	<b>Bank loans</b>	<b>Sukuk</b>	<b>Total</b>
<b>As at 1 January 2021 Audited</b>	69,559,367	44,160,434	113,719,801
Proceeds from borrowings	14,910,233	-	14,910,233
Repayments of borrowing	(19,575,354)	-	(19,575,354)
Additions to deferred costs	(172,722)	(614)	(173,336)
<b>As at 31 December 2021 Audited</b>	<b>64,721,524</b>	<b>44,159,820</b>	<b>108,881,344</b>
Proceeds from borrowings	-	-	-
Repayments of borrowing	(1,013,320)	(4,687,850)	(5,701,170)
Net change to deferred costs	(68,275)	140	(68,135)
<b>As at 31 March 2022 Unaudited</b>	<b>63,639,929</b>	<b>39,472,110</b>	<b>103,112,039</b>

The following is the term loans breakup as presented in the condensed consolidated interim statement of financial position as follows:

<b>Non-current:</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Saudi Electricity Company	42,430,552	43,524,384
Joint operations	7,223,280	7,347,589
	<b>49,653,832</b>	<b>50,871,973</b>
<b>Current:</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Saudi Electricity Company	13,388,304	13,298,304
Joint operations	597,793	551,247
	<b>13,986,097</b>	<b>13,849,551</b>

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**16 Financial instruments – continued**
**16.2 Interest bearing liabilities - continued**
**16.2.1 Bank loans**

The following are the long term loans for the Saudi Electricity Company:

	<b>Loan currency</b>	<b>Maturity date</b>	<b>Principal amount</b>	<b>31 March 2022 Unaudited</b>	<b>31 December 2021 Audited</b>
Domestic Bank 2	SAR	2025	5,000,000	<b>1,536,800</b>	1,536,800
Domestic Bank 3	SAR	2025	10,000,000	<b>3,177,778</b>	3,631,746
Domestic Bank 6	SAR	2026	3,500,000	<b>2,598,750</b>	2,598,750
Domestic Bank 7	SAR	2024	2,400,000	<b>2,280,000</b>	2,280,000
Domestic Bank 8	SAR	2026	15,200,000	<b>14,744,000</b>	14,896,000
Domestic Bank 9	SAR	2029	2,850,000	<b>2,850,000</b>	2,850,000
Domestic Bank 10	SAR	2027	9,000,000	<b>9,000,000</b>	9,000,000
Ministry of finance Loan	SAR	2024	2,583,375	<b>541,475</b>	541,475
International Bank 2	USD	2024	3,709,125	<b>506,053</b>	660,720
International syndicated loan 3	USD	2026	5,251,120	<b>2,187,561</b>	2,187,561
International syndicated loan 4	USD	2028	7,240,715	<b>4,038,159</b>	4,084,497
International syndicated loan 6	USD	2029	3,375,585	<b>2,109,063</b>	2,249,754
International syndicated loan 7	USD	2029	1,575,336	<b>984,572</b>	1,050,228
International syndicated loan 8	USD	2022	6,562,878	<b>6,562,878</b>	6,562,878
<b>Total value</b>			<b>83,873,844</b>	<b>53,117,089</b>	54,130,409
<b>Less:</b> The current portion of long-term loans				<b>(10,353,796)</b>	(10,263,796)
<b>Less:</b> The Unamortized portion of the prepaid fees and other fees				<b>(332,741)</b>	(342,229)
<b>Non-current portion of long-term loans</b>				<b>42,430,552</b>	43,524,384

The following are short-term loans for the Saudi electricity company:

	<b>Loan currency</b>	<b>Principal amount</b>	<b>31 March 2022 Unaudited</b>	<b>31 December 2021 Audited</b>
Domestic revolving bank loan 1	SAR	1,000,000	<b>1,000,000</b>	1,000,000
Commercial payment facility	SAR	550,000	<b>159,433</b>	159,433
International syndicated loan 4	USD	9,665,625	<b>1,875,075</b>	1,875,075
<b>Total short-term loans</b>		11,215,625	<b>3,034,508</b>	3,034,508
Add: Current portion of long-term loans			<b>10,353,796</b>	10,263,796
<b>Total short-term loans and current portion of long-term loans</b>			<b>13,388,304</b>	13,298,304

## 16 Financial instruments - continued

### 16.2 Interest bearing liabilities - continued

#### 16.2.2 Sukuk

The outstanding Sukuk as of 31<sup>st</sup> March 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 Sukuk have been issued at par value with no discount or premium. The Sukuk bear a rate of return at SIBOR plus a margin payable quarterly from the net income received from the Sukuk assets held by the Sukuk custodian "Electricity Sukuk Company", a wholly owned subsidiary of the Company.

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

	Percentage		
	90%	60%	30%
	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 classified SAR 5.7 billion as current sukuk as of 31 March 2021.

##### Global Sukuk

1. During April 2012 the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to approximately (US\$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to US\$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amounting 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.
2. During April 2013 the Group also issued a global Sukuk amounting SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%.
3. 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 types of Sukuk certificates. The first with a value of SAR 5.6 billion (US \$ 1.5 billion), 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%.

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**16 Financial instruments - continued****16.2 Interest bearing liabilities – continued****16.2.2 Sukuk – continued**

4. 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 types of Sukuk certificates. The first with a value of SAR 3 billion (US \$ 800 million), 5 years 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), 10 years tenure with a fixed rate of 4.723% per annum.

5. 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%.

**16.3 Derivative financial instruments**

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

The notional amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period/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 fair value of the derivatives.

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

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

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
<b>Derivative financial instruments at fair value:</b>		
Current	23,398	<b>104,628</b>
Non-current	124,659	<b>489,521</b>
	<b>148,057</b>	<b>594,149</b>

**17 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 March 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
- (b) The Group has provided guarantees to some commercial banks and some other parties with a total amount SAR 59 million as at 31 March 2022 (31 December 2021: SAR 62 million).
- (c) There are some claims filed by one of the previous contractors against the Company. These are currently in the initial stages of process with the arbitral procedures, based on the claims filed, the contractors are claiming an approximate amount of SAR 7 billion. However, the Company has also filed counter claims against the Contractors amounting to SAR 3.5 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.



## 18 Capital commitment

The capital commitments at the date of the condensed consolidated interim statement of financial position comprise of unexecuted portion of capital contracts conducted by the Group for the development and installation of power plants and other assets amounting to SAR 50.3 billion as of 31 March 2022 (31 December 2021: SAR 41 billion).

## 19 Zakat

The Group has submitted the Zakat return to the authorities for the year ended 31 December 2021 within the statutory term.

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 29, April 2021 for the declarations for the years from 2015 to 2018, which resulted in differences of SAR 1.7 billion. The Company has submitted an objection to the claim resulting from the amendment of the declaration for those financial years within the statutory period allowed. The Company's management believes that the Company's position in this objection is supported by sufficient documents. This is based on the Authority's practice considering the difference between the credit current account and debit in accordance with the executive regulations for levying zakat issued by Ministerial Resolution No. 2082. The Company does not expect no future obligations as a result of such claim.

## 20 Operating revenue

	<b>For the three-month period ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
Electricity Sales	11,252,160	11,114,166
Meter reading, maintenance and bills preparation tariff	362,045	356,020
Electricity connection tariff	581,568	510,350
Transmission revenue	608,377	492,288
Other operating revenue*	727,170	875,548
<b>Total</b>	<b>13,531,320</b>	<b>13,348,372</b>

\* The Company recognized an amount of SAR 399 million in the condensed consolidated interim statement of profit or loss other operating income for the period ended 31 March 2022, based on the management estimate (31 March 2021: SAR 575 million).

## 21 Cost of revenue

	<b>For the three-month period ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
Fuel	1,189,186	1,107,234
Purchased power	2,224,009	2,121,319
Operations and maintenance	2,904,943	2,522,487
Depreciation - operations and maintenance	4,571,334	4,654,469
Depreciation – right of use asset	3,459	14,784
<b>Total</b>	<b>10,892,931</b>	<b>10,420,293</b>

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**22 Other income, net**

	<b>For the three-month period ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
Amortisation of Government grants	19,666	13,891
Other income , net	99,632	93,557
Gain on disposal of property, plant and equipment	28,618	20,365
Dividend received	3,280	5,241
<b>Total</b>	<b>151,196</b>	<b>133,054</b>

**23 Finance costs, net**

	<b>For the three-month period ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
<b>Finance expense</b>		
- Bank Loans	861,648	799,140
- Lease Contract	220	627
-Other finance cost	7,723	-
- Less: Capitalised interest	(211,843)	(246,474)
<b>Total</b>	<b>657,748</b>	<b>553,293</b>
Changes in present value of employees' benefit obligation	40,445	27,603
Changes in present value relating to asset retirement obligation	2,577	12,695
<b>Total finance expenses</b>	<b>700,770</b>	<b>593,591</b>
<b>Finance income</b>		
Interest income	(46,828)	(43,256)
<b>Total financing income</b>	<b>(46,828)</b>	<b>(43,256)</b>
<b>Net finance costs</b>	<b>653,942</b>	<b>550,335</b>

**24 Earnings per share**

Basic earnings /(loss) per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company less Mudaraba instrument profit by the weighted average number of ordinary shares in issue during the period assuming that all dilutive shares are converted into ordinary shares.

The diluted earnings / (loss) per share equal to the basic earnings / (loss) per share for the period ended 31 March 2022 and 31 March 2021 as there are no financial instruments with a dilutive effect on basic earnings per share.

	<b>For the three months period ended</b>			
	<b>31 March 2022</b>		<b>31 March 2021</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
	Profit from continued operation	Profit	Profit from continued operation	Profit
Profit for the period	1,547,707	1,517,248	1,710,245	1,689,129
Less:				
Profit attributable to mudaraba instrument	(1,889,106)	(1,889,106)	(1,889,107)	(1,889,107)
Adjusted loss for the period	(341,399)	(371,858)	(178,862)	(199,978)
Weighted Average outstanding ordinary Shares in thousands	4,166,594			
Basic and diluted loss per share "Saudi Riyals"	(0.08)	(0.09)	(0.04)	(0.05)
<b>Earnings per share without deduction of dividends Mudaraba instrument</b>				
Basic and diluted earnings per share "Saudi Riyals"	0.37	0.36	0.41	0.41

## 25 Related Parties transactions and balances

The Group is ultimately controlled by the Government of the Kingdom of Saudi Arabia through the ownership of the main shareholder (Public Investment Fund), Saudi Aramco and the General Corporation for Desalination of Saline Water Conversion Corporation are companies under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia) in addition to the joint operation companies.

The following transactions were carried out with related parties:

### (a) Sales of electricity

	<b>For the three months period ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
<b>Sales of electricity:</b>		
- Group's ultimate controlling party	<b>2,274,387</b>	2,219,125
- Entities under control of the Group's ultimate controlling party		
Saudi Aramco	<b>90,657</b>	89,846
Saline Water Conversion Corporation	<b>135,093</b>	118,825
	<b>2,500,137</b>	2,427,796

### (b) Purchases of energy and Fuel:

	<b>For the three months ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	Unaudited
<b>Purchases of energy:</b>		
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	<b>1,734,904</b>	1,638,048
Saline Water Conversion Corporation	<b>144,360</b>	115,882
<b>Joint operations:</b>		
Dhuruma Electricity Company	<b>160,710</b>	146,546
Rabigh Electricity Company	<b>185,334</b>	197,988
Hajr for Electricity Production Company	<b>198,503</b>	191,789
Al Mourjan for Electricity Production Company	<b>99,171</b>	110,199
Al-Fadhili Company for Cogeneration	<b>152,255</b>	178,397
	<b>2,675,237</b>	2,578,849

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation at rates stipulated within the respective governmental resolutions. The Group purchases energy from joint operation in accordance with their respective contracts.

**25 Related Parties transactions and balances – continued**

**(c) Period-end balances arising from sales of electricity/purchases of energy/Loans:**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	<b>Audited</b>
<b>Due from related parties:</b>		
Entities under control of the Group's ultimate controlling party	<b>8,987,100</b>	5,005,267
Saudi Aramco	<b>514,627</b>	403,922
Saline Water Conversion Corporation	<b>253,874</b>	253,874
Global Data Center Company loans	<b>45,250</b>	45,250
<b>Total Due from related parties</b>	<b>9,800,851</b>	<b>5,708,313</b>
<b>Due to related parties:</b>		
<u>Group's ultimate controlling party</u>		
Governmental payables	<b>4,570,538</b>	4,570,538
<b>Entities under control of the Group's ultimate controlling party</b>		
Payable to Saudi Aramco *	<b>259,003</b>	683,830
Saline Water Conversion Corporation	<b>18,248</b>	359,437
Government payable expenses	<b>4,727,404</b>	4,727,404
	<b>9,575,193</b>	<b>10,341,209</b>

\* This includes fuel used by the Company, Independent Power Producer and purchase energy..

**(d) Loans and grants from related parties**

	<b>31 March 2022</b>	31 December 2021
	<b>Unaudited</b>	<b>Audited</b>
<b>Loans and grants from the Government:</b>		
Group's ultimate controlling party		
Deferred government grants	<b>1,506,321</b>	1,525,987
Ministry of Finance loans	<b>541,475</b>	541,475
	<b>2,047,796</b>	<b>2,067,462</b>

**(e) Compensation of key management personnel**

Key management includes members of the Board of Directors and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	<b>For the three months ended</b>	
	<b>31 March 2022</b>	31 March 2021
	<b>Unaudited</b>	<b>Unaudited</b>
Annual and periodic bonus	<b>2,599</b>	2,426
Employees' end of service benefits	<b>5,500</b>	8,896
	<b>8,099</b>	<b>11,322</b>

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**26 Assets held for sale and its related liabilities**

On 29 November 2021, the Group publicly announced the approval of the Saudi Arabian Council of Ministers ("the Cabinet") No 227 on 18/4/1443H corresponding to 23 November 2021 for SEC to take all the necessary legal procedures to transfer the ownership of the Group's entire equity in Saudi Power Procurement Company ("SPPC"), to the Government of the Kingdom of Saudi Arabia represented by the Ministry of Finance. In addition, Group expected to transfer the fuel and oil inventory to SPPC (together referred to as "the transfer of ownership").

The Group has approved the transfer and it is expected that the ownership transfer will take place within year 2022. The work is in process with the Ministerial Committee to determine the financial compensation, and the Group's management expects the financial consideration to be the fair value of these assets, which does not differ substantially from their book value on the date of transfer and signing of contracts

On 11 shawaal 1443H (corresponding to 12 May 2022), the company received a letter from Minister of Energy, Chairman of the Ministerial Committee for electricity sector restructuring program and Saudi electricity company (letter No 4464), stating the approval of Energy Conversion Agreement, and Bulk Supply Agreement between Saudi electricity company and Saudi Power Procurement company (SPPC). Currently the Company is in the process to complete all required procedures to activate mentioned agreement.

The transfer comes as part of the Kingdom's electricity sector restructuring program. The objective of this process is to reinforce transparent commercial relations amongst the electricity sectors as well as operating the sector on economic bases.

SPPC will be responsible for the competitive tendering of renewable and traditional energy projects in order to meet the growth in power demand, manage the commercial agreements for the purchase and sale of power and purchasing and providing fuel as well as improving its usage efficiency. Whereas the Saudi Energy Procurement Company will become the only major purchaser of electricity from the generation plants in the Kingdom on the date of the transfer of ownership and will become a party to the purchase and providing fuel for the power plants, and accordingly, the stock of fuel and oil held by the Saudi Electricity Company has been included and presented as assets group held for sale. The transfer to the disposal group was classified as assets held for sale and associated liabilities as a result of the above mentioned arrangements.

**Financial performance and cash flows information**

Statement of profit or loss for the group disposed assets related to the Saudi Power Procurement Company as follows:

	<b>31 March 2022</b>	<b>31 March 2021</b>
Other expenses	<b>(30,459)</b>	(21,116)
Finance costs	-	-
Loss before zakat	<b>(30,459)</b>	(21,116)
Zakat expense	-	-
Net Loss for disposal group	<b>(30,459)</b>	(21,116)

In addition to the sale of the equity ownership in SPPC and the transfer of the fuel and oil inventories, Currently the group commenced to study the potential effects of the process of substituting the power purchase agreements (PPAs) previously agreed in respect of the Independent Power Producing entities (IPPs), Which may entail if approved by all the parties to the aforementioned agreements changes in the structure and classification of the items of the group's future financial statements in relation to joint operations and the possibility of the group discontinuing the application of proportional consolidation of assets and liabilities disclosed in the segmental reports disclosure (note 8) with respect to the following companies at the date of signing those agreements;

- Hajr for Electricity Production Company
- Rabigh Electricity Company
- Dhuruma Electricity Company
- Al Mourjan for Electricity Production Company

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**26 Assets held for sale and its related liabilities (Continued)**

The Group is working with the ministerial committee on many other agreements to regulate the relationship between the principal buyer ,SPPC, the Group and the electricity production companies in the Kingdom of Saudi Arabia. These agreements are expected to have a non material impact on the financial position and financial performance of the Group. The revenues of the Saudi Energy Procurement Company amounted to 35 Million Saudi riyals for the period ended March 31, 2022 (March 31, 2021 AD: 40 million Saudi riyals), which is entirely from the sales revenue of the group (transaction between group companies), which is completely excluded upon consolidation of the group's financial statements. .

The effect of the net loss of the disposal group on the basic and diluted earnings per share of the group is immaterial (note 24).

**26 Assets held for sale and its related liabilities – continued**

The transfer of the group disposed assets has been classified as assets held for sale and its related liabilities as a result of the above-mentioned arrangements.

The summarized financial position for the disposal group classified as held for sale as at 31 March 2022 is as follows:

	<b>31 March 2022</b>	<b>31 December 2021</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b><u>Assets held for sale</u></b>		
Property, plant and equipment, net	1,746	1,746
Cash and bank balances	32,735	16,257
Prepayments and other receivables	9,790	2,212
Fuel inventory	907,265	765,051
Total assets of disposal group held for sale	951,536	785,266
<b><u>Liabilities directly related to Assets held for sale</u></b>		
Employees' benefits obligation	68,445	67,085
Accruals and other payables	8,163	12,380
Provision for other liabilities	2,612	2,610
Total liabilities of disposal group held for sale	79,220	82,075
Net assets directly related to disposal group of assets related to SPPC	872,316	703,191

**27 Subsequent events**

Except for referred to in note 26, there have been no material events after the reporting date that may materially affect the interim condensed consolidated financial statements and related disclosures for the three-month period ended 31<sup>st</sup> March 2022.

**28 Approval of the interim condensed consolidated financial statements**

The Group's interim condensed consolidated financial statements were approved by Board of Director on 16 Shawwal 1443 H, corresponding 17 May 2022.