

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**



الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Saudi Electricity Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Electricity Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are 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 Auditor's 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) ("the Code") as 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 requirements of the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Expected credit loss allowances for non-government receivables from the sale of electricity</u></p> <p>Receivables from the sale of electricity to non-government customers amounted to SR 13.3 billion, against which an allowance for expected credit losses ("ECL") of SR 3.4 billion was recorded.</p> <p>The audit of the allowance for ECL for non-government receivables from the sale of electricity is considered to be a key audit matter because of its size and the significance and complexity of the estimates, assumptions and judgments used in the computation. The allowance for ECL model is also more complex due to the large number of customers which have been segmented into groups with similar risk profiles.</p> <p>The Group applied the simplified ECL model, which requires the use of a provision matrix, over non-government receivables from the sale of electricity which do not contain a significant financing component.</p> <p>Estimates, assumptions and judgements used in the ECL model for determining the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), include, but are not limited to:</p> <ul style="list-style-type: none"> • Determination of appropriate segmentation. • Determination of the historical loss rates. • Determine the period over which observed historical loss rates are appropriate. • Developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. • Definition of default. • Manual overrides and proxies used by management. <p>The Group engaged an external expert to validate the ECL model including a review of the methodology, assumptions used and macro-economic factors used.</p> <p>Refer to notes 5, 16 and 44 in the consolidated financial statements for more details relating to this matter.</p>	<p>We performed the following audit procedures, inter alia, to address the key audit matter:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process used by management to determine the allowance for ECL for non-government receivables from the sale of electricity, including the methodology used, key assumptions, key inputs and key controls. • We assessed the relevant automated and manual controls over the calculation of the allowance for ECL for non-government receivables from the sale of electricity to determine if they had been appropriately designed and implemented. • We assessed the accuracy and completeness of the input data, used in the ECL model. • We utilized our internal experts to assess the ECL model and methodology against the requirements of IFRSs and industry practice. • We assessed the skills, capability, independence and objectivity of the party used to perform an independent validation of the ECL model and reviewed their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. • We considered the results of the abovementioned validation in assessing the allowance for ECL. • We reperformed the mathematical accuracy of the ECL model. • We agreed the results of the output of the ECL model to the amounts and disclosures presented in the consolidated financial statements. • We performed our own independent computation of the allowance for ECL based on industry comparable assumptions and compared the output to the amount determined by management. <p>We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.</p>

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Revenue from the sale of electricity and other operational revenue</u></p> <p>The Group recognized revenue of SR 64.9 billion from the sale of electricity during the year. The Group also recognized other operational revenue inclusive of SR 1.2 billion during the year which represents the difference between the actual revenue from regulated activities and the required revenue.</p> <p>The determination of required revenue is subject to the Revenue Requirement Determination Methodology ("RRDM") which is stipulated by the Water and Electricity Regulatory Authority ("WERA").</p> <p>Revenue from the supply of electricity to end users is recognised at the time the electricity is consumed by the end user and includes, in addition to amounts invoiced on the basis of periodic meter readings, an estimate of the electricity consumed during the year but not yet invoiced.</p> <p>Revenue accrued between the date of the last meter reading and the reporting date is based on estimates of the daily consumption of individual customers, which is primarily determined based on their subsequent actual consumption or their historical consumption patterns.</p> <p>The selling price of each Kilowatt-hour is based on regulated rates which is stipulated by WERA.</p> <p>The recognition and measurement of revenue from the sale of electricity and the other operational revenue is considered to be a key audit matter due to the significant judgements and assumptions applied by management in interpreting the requirements of WERA as detailed above and the significant estimates made when determining revenue from customers for electricity consumed during the year but not yet invoiced. The size of revenue from the sale of electricity is also quantitatively significant in the context of the consolidated financial statements.</p> <p>Refer to notes 5 and 38 in the consolidated financial statements for more details relating to this matter.</p>	<p>We performed the following audit procedures, inter alia, to address the key audit matter:</p> <ul style="list-style-type: none"> • We obtained an understanding of the revenue business process, including the determination of required revenue through the Required Revenue Determination Methodology and the relevant controls in this process. We also obtained an understanding of the process of recognizing billed and unbilled revenue. This included the methodology used, key judgements, assumptions, key inputs and relevant controls. • We assessed the relevant controls to determine if they had been appropriately designed and implemented and, in the case of electricity sales, were operating effectively. • We agreed the inputs used to determine the amount of required revenue to be earned was in accordance with the requirements of the RRDM or other relevant guidance or communications from WERA. • We reperformed the calculation of other operational revenue and agreed the results of the calculation to the amount presented in the consolidated financial statements. • We utilized our internal specialists to reperform the computation of billed and unbilled revenue and further investigated any significant exceptions identified. • We performed detailed testing of individual transactions, on a sample basis, by agreeing the amounts of those transaction to the underlying billed and unbilled data. • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 20, 2023.

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 do 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 ISAs 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

As part of an audit in accordance with ISAs 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure 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 consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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 year 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 of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378



Ramadan 3, 1445H
March 13, 2024

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	460,951,523	438,083,263
Intangible assets, net	9	288,882	353,118
Right-of-use assets, net	10.1	370,377	89,852
Investment properties	11	462,372	446,459
Equity accounted investees	12	4,696,923	4,623,174
Financial assets at amortised cost	13	18,807	28,528
Financial assets through other comprehensive income	14	250,645	359,335
Derivative financial instruments	30.3	150,374	209,806
Total non-current assets		467,189,903	444,193,535
Current assets			
Inventories, net	15	3,609,490	3,377,551
Receivables from sale of electricity, net	16	23,472,078	24,896,380
Loans and advances	17	3,799,411	1,177,348
Contract assets	34	248,679	-
Prepayments and other receivables, net	18	1,847,705	2,673,898
Cash and cash equivalents	19	621,552	3,162,824
Total current assets		33,598,915	35,288,001
TOTAL ASSETS		500,788,818	479,481,536
EQUITY AND LIABILITIES			
Equity			
Share capital	20	41,665,938	41,665,938
Statutory reserve	22	7,105,975	7,105,975
General reserve	22	702,343	702,343
Other reserves		109,636	513,955
Contractual reserve - Mudaraba instrument	22, 23	860,593	860,593
Retained earnings		37,952,664	38,281,357
Total equity before Mudaraba Instrument (1)		88,397,149	89,130,161
Mudaraba instrument		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
Mudaraba instrument (2)	22, 23	167,920,563	167,920,563
Total equity (1+2)		256,317,712	257,050,724
LIABILITIES			
Non-current liabilities			
Long term loans	30.2.1	60,637,794	50,826,958
Long term sukuk	30.2.3	24,366,949	29,990,770
Employees' benefits obligation	24	9,280,894	8,304,084
Non-current portion of deferred revenue	25	72,257,165	68,829,879
Advances from subscribers	31	18,733,439	15,610,907
Deferred government grants	26	1,256,645	1,398,714
Derivative financial instruments	30.3	173,663	79,611
Non-current portion of lease liabilities	10.2	286,961	60,650
Total non-current liabilities		186,993,510	175,101,573

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

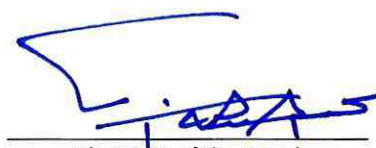
	Notes	2023	2022
Current liabilities			
Short term loans and facilities	30.2.2	8,915,653	9,411,576
Current portion of long term loans	30.2.1	2,907,948	5,873,977
Short term sukuk	30.2.3	13,125,000	3,750,750
Trade payables	27	4,115,266	3,188,684
Accruals and other payables	28	18,421,750	15,286,387
Provision for other liabilities and charges	29	1,175,113	1,506,271
Refundable deposits from customers	30.1	1,910,357	1,999,401
Current portion of deferred revenue	25	2,748,577	2,572,487
Contract liabilities	34	4,080,670	3,720,133
Current portion of lease liabilities	10.2	77,262	19,573
Total current liabilities		57,477,596	47,329,239
Total liabilities		244,471,106	222,430,812
TOTAL EQUITY AND LIABILITIES		500,788,818	479,481,536


Senior Vice President, Finance and Chief
Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza


Chief Executive Officer

Khaled bin Hamad Al-Gnoon


Chairman of the Board

H.E. Dr. Najm bin Abdullah AlZaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	2023	2022
Operating revenue	38	75,329,673	72,079,424
Cost of revenue	39	(59,808,297)	(52,319,607)
Gross profit		15,521,376	19,759,817
Other income, net	40	46,496	1,214,120
(Reversal)/provision for receivables from consumption of electricity and other receivables, net	16,18	149,868	(1,378,475)
General and administrative expenses	41	(1,552,099)	(1,609,523)
Operating profit for the year		14,165,641	17,985,939
Finance income		310,260	61,231
Finance expense		(3,961,294)	(2,741,896)
Finance costs, net	42	(3,651,034)	(2,680,665)
Share of profit on equity accounted investees	12	83,673	307,749
Profit for the year before zakat		10,598,280	15,613,023
Zakat expenses	32.1	(348,981)	(416,621)
Profit for the year from continuing operations		10,249,299	15,196,402
Discontinued operations			
Loss for the year from discontinued operations	46	-	(61,178)
Profit for the year		10,249,299	15,135,224
Earning per share (express in SR per share)			
Basic and diluted earnings per share from continuing operations	36	0.62	1.79
Basic and diluted earnings per share from continuing and discontinuing operations	36	0.62	1.81


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Chief Executive Officer
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The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

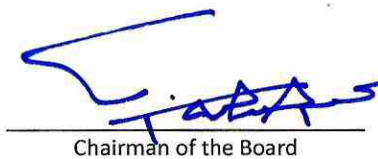
	Note	2023	2022
Profit for the year		10,249,299	15,135,224
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to consolidated profit or loss:			
Derivative financial instruments at fair value- effective portion		60,043	822,938
Joint operations adjustment (other comprehensive income items reclassification)		-	(126,321)
Total items that may be reclassified subsequently to consolidated statement of profit or loss		60,043	696,617
Items that will not be reclassified subsequently to consolidated statement of profit or loss:			
Re-measurement of employees' benefits obligation	24.1	(355,672)	451,122
Fair value (loss)/gain on investments in equity instruments designated as at FVTOCI	44.3	(108,690)	5,956
Total items that will not be reclassified subsequently to consolidated statement of profit or loss		(464,362)	457,078
Other comprehensive (loss)/income for the year		(404,319)	1,153,695
Total comprehensive income for the year		9,844,980	16,288,919


Senior Vice President, Finance and Chief
Financial Officer

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Chief Executive Officer

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Chairman of the Board

H.E. Dr. Najm bin Abdullah AlZaid

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SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Other reserves				Contractual reserve for Mudaraba instrument	Retained earnings	Total equity before		Total equity (1+2)
				Fair value of derivatives	Employees' benefits obligation	Financial assets at FVOCI	Total other reserves			Mudaraba instrument (1)	Mudaraba instrument (2)	
Balance as at January 1, 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 assets (note 45)	-	-	-	-	-	-	-	-	42,976	42,976	-	42,976
Disposal of Joint operation adjustments (note 6)	-	-	-	-	535	-	535	-	(285,201)	(284,666)	-	(284,666)
Transfer to contractual reserve for Mudaraba instrument (note 22, 23)	-	-	-	-	-	-	-	7,661,376	(7,661,376)	-	-	-
Paid from the contractual reserve	-	-	-	-	-	-	-	(7,661,376)	-	(7,661,376)	-	(7,661,376)
Dividend to shareholders (note 21)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Transfer to statutory reserve	-	1,513,522	-	-	-	-	-	-	(1,513,522)	-	-	-
Balance as at December 31, 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
Balance as at January 1, 2023	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
Profit for the year	-	-	-	-	-	-	-	-	10,249,299	10,249,299	-	10,249,299
Other comprehensive loss	-	-	-	60,043	(355,672)	(108,690)	(404,319)	-	-	(404,319)	-	(404,319)
Total comprehensive income	-	-	-	60,043	(355,672)	(108,690)	(404,319)	-	10,249,299	9,844,980	-	9,844,980
Transfer to contractual reserve for Mudaraba instrument (note 22, 23)	-	-	-	-	-	-	-	7,661,376	(7,661,376)	-	-	-
Paid from the contractual reserve	-	-	-	-	-	-	-	(7,661,376)	-	(7,661,376)	-	(7,661,376)
Dividend to shareholders (note 21)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Balance as at December 31, 2023	41,665,938	7,105,975	702,343	156,012	(24,391)	(21,985)	109,636	860,593	37,952,664	88,397,149	167,920,563	256,317,712

Senior Vice President, Finance and Chief Financial Officer

Chief Executive Officer

Chairman of the Board

Abdulaziz bin Abdulrahman AlMuhaiza

Khaled bin Hamad Al-Gnoon

H.E. Dr. Najm bin Abdullah AlZaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before zakat (continued and discontinued operations)	10,598,280	15,551,845
Adjustments for:		
Depreciation of property, plant and equipment	18,856,236	19,250,895
Depreciation of right-of-use assets	42,159	16,074
Depreciation of investment properties	2,895	2,741
Amortisation of intangible assets	70,193	68,931
Finance costs, net	3,651,034	2,680,665
Employees' benefits obligation	2,000,875	1,396,346
(Reversal)/provision for slow-moving and obsolete inventories, net	(144,146)	110,098
(Reversal)/provision for receivable from consumption of electricity and other receivables, net	(149,868)	1,378,475
Share of profit on equity accounted investees	(83,673)	(307,749)
Provision for other liabilities and charges, net	(148,189)	44,577
Amortisation of deferred government grant	(142,069)	(127,273)
(Gain)/loss on disposal of property, plant and equipment	(103,544)	46,576
Impairment of property, plant and equipment	-	(615,680)
Derivative financial instrument reserve reclassified	337,088	-
Cashflows after adjustment of non-cash transactions	34,787,271	39,496,521
Changes in operating assets and liabilities:		
Inventories, net	(87,793)	(199,621)
Receivables from sale of electricity, net	1,481,033	(10,908,956)
Prepayments and other receivables	919,330	492,457
Loans and advances	(2,622,063)	(593,771)
Contract assets	(248,679)	-
Trade payables	926,582	136,272
Accruals and other payables	(7,351,948)	3,086,079
Refundable deposits from customers	(89,044)	891
Advances from subscribers and contract liabilities	3,483,069	7,416,025
Deferred revenue	3,603,376	4,521,542
Cash generated from operations	34,801,134	43,447,439
Employees' benefits obligation paid	(1,650,334)	(737,274)
Provision for other liabilities	(60,004)	-
Zakat paid	(471,946)	(437,685)
Net cash generated from operating activities	32,618,850	42,272,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,435,533)	(29,802,239)
Proceeds from sale of property, plant and equipment	261,942	126,783
Purchase of intangible assets	-	(13,072)
Additional investment in equity accounted investees	(108,568)	-
Dividend received from investments	76,282	10,762
Proceeds from financial assets at amortised cost	9,721	2,546
Derecognition of cash at Independent Power Producer companies (IPPs)	-	(337,470)
Net cash used in investing activities	(32,196,156)	(30,012,690)

SAUDI ELECTRICITY COMPANY
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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	22,571,910	32,958,000
Proceeds from issuance of sukuks	7,501,000	-
Repayments of loans	(16,223,026)	(23,743,752)
Repayments of Sukuk	(3,750,571)	(10,405,320)
Payment from contractual reserve for Mudaraba instrument	(7,661,376)	(7,661,376)
Payment for lease liabilities	(43,981)	(33,924)
Dividends paid	(2,875,740)	(2,902,560)
Net finance costs paid	(2,482,182)	(3,551,290)
Net cash used in financing activities	(2,963,966)	(15,340,222)
Net change in cash and cash equivalents	(2,541,272)	(3,080,432)
Cash and cash equivalents at the beginning of the year	3,162,824	6,243,256
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	621,552	3,162,824


Senior Vice President, Finance and Chief
Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza


Chief Executive Officer

Khaled bin Hamad Al-Gnoon


Chairman of the Board

H.E. Dr. Najm bin Abdullah AlZaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

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 November 29, 1998, which reorganized 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 December 13, 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5th Ramadan 1420H corresponding to December 12, 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to April 5, 2000 as a Saudi joint stock company according to the Commercial Registration by Riyadh Number 1010158683, dated 28 Muhurram 1421H corresponding to May 3, 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 November 13, 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 October 28, 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts per hour.

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

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

On 24 of Rabi Awal 1439H corresponding to December 12, 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 per hour. This change was effective from January 1, 2018 without referring to the previous highest band of 32 Halala. According to Royal Decree No. 14006 dated 23 Rabi'l, 1439H corresponding to December 11, 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 November 7, 2020) Royal Decree No. (16031) was issued to cancel the government fee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

On 29 of Rabi'l, 1442H corresponding to November 15, 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 January 1, 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 October 15, 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to January 27, 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 November 15, 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 September 21, 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 and the membership of a number of ministries and government agencies to determine the applicable sectors for this tariff. By submitting a request to the consumer to apply the tariff to their facility. The heavy consumption tariff will be in accordance with the regulations announced by the authority. And on December 20, 2022, the Council of Ministers Decision No. (361) was issued approving the application for this tariff as of January 1, 2023.

The Company's share capital is divided into 4,166,593,815 shares of SR 41,665,938,150 with a nominal value of SR 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 (July 13, 2017).

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

The Ministry of Commerce of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective January 19, 2023 with a grace period of two years for implementations. During the year, Extraordinary General Assembly Meeting approved the amendments of the Company's Bylaws in accordance with the new Companies Law.

Saudi Electricity Company is referred to as ("Company") or together with its subsidiaries as ("Group") throughout the financials. These consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries referred to in the table below. 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 first of January and ends at the end of December of each Gregorian year, except newly incorporated companies for which first financial year begins on the date of incorporation and ends on December 31.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

The subsidiaries are listed below:

Subsidiary	Country of incorporation	Ownership in ordinary shares %		Principal activities
		December 31, 2023	December 31, 2022	
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.	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
Solution Valley Company	Kingdom of Saudi Arabia	100	100	Power service
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (business not commenced)	Kingdom of Saudi Arabia	100	100	Energy Generation Wireless telecommunication
Dawiyat Digital for Information Technology	Kingdom of Saudi Arabia	100	-	services
Dawiyat Company for Data Centers (business not commenced)	Kingdom of Saudi Arabia	100	-	Building, operating, and leasing data centres

National Grid S.A. Company

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

NGS 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 December 23, 2008) and resolution no. 1/86/2009 dated 7 Jumada Al Awal 1430H corresponding to May 3, 2009. Accordingly, the Company's Board of Directors agreed on January 1, 2012 to transfer all of the Saudi Electricity Company transmission activity's assets and liabilities to NGS at their net book value as of January 1, 2012.

Dawiyat Telecommunication Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

Dawiyat Telecommunication Company (Continued)

On 25 Rajab 1437H (corresponding to 2 May 2016), DTC 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 (corresponding to January 13, 2026). Dawiyat Telecom Company obtained a license from the Communications and Information Technology Commission to provide rental services for communications facilities.

On November 15, 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 SR 300k. A decision was also issued to distribute dividends to the Saudi Electricity Company in the amount of SR 46 million and the related statutory procedures have been completed during the year.

DTC's main activity is the construction, leasing, managing and operating of electric and fibre optics networks to provide telecommunication services.

Electricity Sukuk Company

Electricity Sukuk Company ('ESC') 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 ESC 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.

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).

Saudi Electricity for Projects Development Company

Saudi Electricity for Projects Development Company ('SEPDC') 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.

Saudi Electricity Global Sukuk Company

Saudi Electricity Global Sukuk Company ('SEGSC') 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.

Saudi Electricity Global Sukuk Company – 2

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.

Saudi Electricity Global Sukuk Company – 3

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

Saudi Electricity Global Sukuk Company – 4

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.

Saudi Electricity Global Sukuk Company – 5

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.

Saudi Electricity Company for the International Sukuk Program

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.

Solutions Valley Company

Solutions Valley Company ('SVC') 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 September 29, 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, equipment, distribution and control devices.

Dawiyat Integrated Company for Telecommunications and Information Technology

Dawiyat Integrated Company for Telecommunications and Information Technology ('DICTIT') 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 August 5, 2018) with Commercial Registration No 1010455797 and is fully owned by the Saudi Electricity Company.

DICTIT obtained license from the Communications and Information Technology Commission to provide wholesale services for the infrastructure.

The Saudi Energy Production Company

The Saudi Energy Production Company ('SEPC') is a limited liability company established in Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010656214, dated 3 Safar 1442 (corresponding to September 20, 2021), is wholly owned by the Saudi Electricity Company. The main activity is electrical power generation, water purification and water desalination.

Dawiyat Digital Company for Information Technology

Dawiyat Digital Company for Information Technology ('DDCIT') obtained license from the Communications, Space, and Technology Commission. The company's main activities to provide wireless telecommunications activities.

Dawiyat Data Centers Company

Dawiyat Data Centers Company ('DDCC') is a limited liability company established in Kingdom of Saudi Arabia, Riyadh under the company's articles of association on 6 Jumada Al-Akrah 1445 (corresponding to December 19, 2023) with Commercial Registration No 1010963473 and is fully owned by the Saudi Electricity Company. DDCC's main activities are the computing expertise, managing computing facilities, preparation of data hosting sites on network and the associated activities.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

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

Joint Ventures	Country of incorporation	Ownership in ordinary shares %	
		December 31, 2023	December 31, 2022
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
Electric Vehicle Infrastructure Company	Kingdom of Saudi Arabia	25	-

Based on the decision of the Ministerial Committee and on July 1, 2022, the Group had 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 had 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 July 1, 2022 these are being accounted for as Joint Ventures using the equity accounting method.

Hajr for Electricity Production Company

Pursuant to the Board of Directors' Resolution No. 4/95/2010 dated 12th Ramadan 1431H (corresponding to August 22, 2010), the Group established Hajr for Electricity Production Company ('HEPC') (a closed joint stock company) with a share capital of SR 2 million. During 2011, a new shareholder was admitted and the capital was increased by SR 8 million to SR 10 million, fully paid, resulting in the Group's share changing to 50%. Furthermore, during 2015, the Group contributed additional capital to HEPC amounting to SR 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 HEPC's equity to SR 1,253 million. During the year 2022, the HEPC reduced its share capital amounting to SR 0.35 million, decreasing the Group Share in HEPC's equity to SR 1,078 million

Rabigh Electricity Company

Pursuant to the Board of Directors' Resolution No. 06/76/2008 dated 26th Jumad Awal 1429H corresponding to June 3, 2008, the Group established Rabigh Electricity Company ('REC') (a closed joint stock company) with a share capital of SR 2 million. During 2009, REC increased its capital from SR 2 million to SR 10 million by admitting a new shareholder 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 capital to REC amounting to SR 183 million by converting SR loan previously granted by the Group, increasing the Group's share in Rabigh Electricity Company's equity to SR 185 million.

Dhuruma Electricity Company

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

Al Mourjan for Electricity Production Company

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

Global Data Hub Company

Dawiyat Telecommunication Company established its Global Data Hub Company ('GDC') on September 11, 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 finalised and is being treated as a joint venture and accounted in the same way as equity investments.

Electric Vehicle Infrastructure Company

Pursuant to the Board of Directors' Resolution No. 01/223/2023 dated 24th Dhul-Qi'dah 1444H (corresponding to June 13, 2023), the group purchased 25% of the shares of the Electric Vehicle infrastructure company ('EVIQ') for a total value of SR 245 million. The value of this share has not yet been paid until the date of preparing the consolidated financial statements.

These consolidated financial statements include Group's share in associates as below:

Associates	Country of incorporation	Ownership in ordinary shares %	
		December 31, 2023	December 31, 2022
Gulf Co-operation Council Inter-Connection Authority	Kingdom of Saudi Arabia	31.6	31.6
Gulf Laboratory Company for Testing Electrical Equipment	Kingdom of Saudi Arabia	30	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30
Green Saudi Company for Carbon Services	Kingdom of Saudi Arabia	51	51
Sidra One Holding company	Kingdom of Saudi Arabia	50	-
Qudra One Holding company	Kingdom of Saudi Arabia	50	-

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 SR 1.8 billion.

Gulf Laboratory Company for Testing Electrical Equipment

Based on Ministerial Resolution No. (38 / S) dated 10 Safar, 1437 H (corresponding to November 10, 2016), the Gulf Laboratory Company for Testing Electrical Equipment ('GLC') (a closed joint stock company) was established with an authorized capital of SR 360 million, the SEC's share amounted to 25% in the company's share capital, and the founders paid an amount of SR 90 million, and the SEC's share amounted to SR 22.5 million, which was paid in full as on December 31, 2016. During 2017, the entire capital of the company was paid to become SR 360 million, and the SEC's paid share of the capital amounts to SR 90 million as on December 31, 2017. During the year 2020, the company's capital was increased to SR 613 million, and the paid share of the SEC is SR 153 million, as on December 31, 2020. During the year 2023, the Company has further invested SR 105 million to increase its holding from 25% to 30%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

Gulf Laboratory Company for Testing Electrical Equipment (continued)

GLC is principally engaged in the repair and maintenance of power transmission or distribution electrical transformers and specialized electrical transformers, type, quality and product testing and approval, laboratories of electrical, electronical, mechanical and metal products, laboratories of measurement, calibration and verification of conformity, calibration of devices, equipment and materials used in manufacturing and production.

Al Fadhly Co-Generation Company

Pursuant to the Board of Directors' resolution no. 5/143/2016 dated 17th Dhul-Hijjah 1437 H (corresponding to September 20, 2016), Al Fadhly Co-Generation Company ('AFGC'), a limited liability company was established for dual production with a share capital of SR 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 Company participated with Petroleum, Chemicals and Mining limited company (PCMC) in the establishment of Green Saudi Company for Carbon Services ('GSC') which is a limited liability company with a capital of SR 1 million. The Company's share amounted to SR 510K represents 51% of the share capital of the GSC. The main activity of the entity is developing and managing the carbon emission reduction systems and programs, the clean development mechanism projects in accordance with international and regional protocols.

Sidra One Holding Company

Based on Board of Directors Resolution No. 01/61/2023, dated 18 Rabi' al-Thani 1445H (corresponding to November 2, 2023), the Company established Sidra One Holding Company ('SOHC') (limited liability company). The Company's share amounted to SR 5K represents 50% of the share capital and total share capital of the SOHC amounts to SR 10K. The main activity of the SOHC is the generation of power.

Qudra One Holding Company

Based on Board of Directors Resolution No. 01/61/2023 dated 18 Rabi' al-Thani 1445H (corresponding to November 2, 2023), the Company established Qudra One Holding Company ('QOHC') (limited liability company). The Company's share amounted to SR 5K represents 50% of the share capital and total share capital of the QOHC amounts to SR 10K. The main activity of the QOHC is the generation of power.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurements and presentation

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the consolidated statement of financial position:

- The employees' benefits obligation, which is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Financial assets through other comprehensive income including derivative financial instruments and Mudaraba instrument that are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurements and presentation (continued)

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Group. These consolidated financial statements have been rounded-off to nearest SR thousand, unless otherwise stated.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and revised IFRSs applied with no material impact on the consolidated financial statements

In the current year, the Group has applied the below amendments to IFRS Standards and interpretations issued by the International Accounting Standards Board (IASB) that are effective for an period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- *IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- *Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and revised IFRSs applied with no material impact on the consolidated financial statements (continued)

- *Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules*
The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

New and revised IFRSs issued but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*
- Amendments to IAS 1 *Non-current Liabilities with Covenants*
- Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements*
- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 27 – Lack of exchangeability.

The Group is in the process of determining the impact of these amendments/Standards on the consolidated financial statements in the period of initial application.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies are set out below:

Basis of consolidation

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; and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (continued)

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.

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.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. If the Group retains any share in the former subsidiary, that interest is measured at fair value on the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (continued)

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Investment in associates and joint ventures

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.

Companies in which the Group 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, except when the investment, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates and joint ventures.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 other comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 had been updated during the year 2022 (note 5):

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 projects under construction 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.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties (continued)

Building	45 years
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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.

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (continued)

The Group as lessee (continued)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (continued)

The Group 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:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate;
- 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
- 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 recognizes 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 its 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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.

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. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

Financial assets

Recognition and initial measurement of financial assets

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.

Classification and subsequent measurement of financial assets

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 and equity investments) or fair value through profit or 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.

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 consolidated statement of 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

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 or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income (continued)

Debt investments are subsequently measured at fair value through other comprehensive income. 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 December 31, 2023, the Group does not have any of these assets.

Equity investments are subsequently measured at fair value through other comprehensive income. 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.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value through profit or loss. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss. As at December 31, 2023, the Group does not have any of these assets.

De-recognition of financial assets

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.

Impairment of financial asset

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

The financial assets at amortised cost consist of trade receivables for sale of electricity and financial assets mentioned below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

Trade receivables

For trade receivables, the Group applies the simplified approach and general approach for expected credit losses prescribed by IFRS 9.

Financial assets (Investment in debt instruments)

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

Significant increase in credit risk

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 amortised 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 income.

Financial liabilities and equity

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity Instruments (continued)

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

Offsetting financial assets and liabilities

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.

Derivative financial instruments and hedging activities

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 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 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'.

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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Derivative financial instruments and hedging activities (continued)

Cash flow hedge (continued)

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'.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employees' benefits (continued)

Post-employment obligation (continued)

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 Group operates the defined contribution plan which is named as savings plan. The Group'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 Group 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 Group'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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Government grants (continued)

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 Group 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.

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 Group 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Provisions (continued)

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 low.

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.

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.

Zakat and taxes

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.

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.

Value added tax

Expenses and assets are recognized net of the amount of value added tax ("VAT"), except:

When the VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

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.

Statutory reserve

The Ministry of Commerce of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective January 19, 2023 with a grace period of two years for implementation. During the year, the Extraordinary General Assembly Meeting approved the amendment to the Company's Bylaws in accordance with the new Companies Law which does not require to set aside a statutory reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Statutory reserve (continued)

Previously, in accordance with the Company's Bylaws, the Company was required to transfer 10% of the net income to the statutory reserve until this reserve reached 30% of the capital.

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;
- Revenue from electricity connections tariff;
- Revenue from transmission system;
- Other operating revenue; and
- Revenue from construction contracts.

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; and
- 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:

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 for the period not yet billed at the reporting date are recognized in the consolidated statement of profit or loss.

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 statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition (continued)

Revenue from electricity connections tariff

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.

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 other users where it acts as principal. Revenue is measured based on the fees approved by the regulator "Water & Electricity Regulatory Authority" (WERA) according to capacity and quantities of power transmitted.

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 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.

Revenue from construction contracts

The Group constructs substations and transmission lines as well as their energization under long-term contracts with customers. Such contracts are entered into before construction of the substations and transmission lines begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of substations and transmission lines is therefore recognised over time on a cost plus margin method. Management consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition (continued)

Revenue from construction contracts (continued)

The Group becomes entitled to invoice customers for construction of substations and transmission lines based on the contractual terms. The Group will recognise a contract asset for any work performed as per contractual terms but not yet invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost plus margin method then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers because difference between the cash selling price and promised consideration (if any) will be due to non finance reasons.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value (continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 amortised 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements in accordance with IFRSs 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, expenses, assets, liabilities and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are as follows:

Use of estimates and assumptions

The following are 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Provisions (continued)

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 year ended December 31, 2022, 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 SR 859 million, and this resulted in a decrease in operating costs for the year 2022.

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Fair value for financial instrument (continued)

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.

Other operating revenue

The determination and application of required revenue methodology as defined by WERA requires management to make various judgements and assumptions. These are finalized after evaluation by WERA within the timeline defined in the methodology.

Projects under progress accrual

Capital projects in progress are recognised at cost, which represents the contractual liabilities of the Group 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.

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

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

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 amortised 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

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

Power purchase adjustment

The Group has calculated the average Bulk Supply Tariff (BST) on the basis of the predetermined BST and the expected quantity information available at the beginning of the fiscal year from the Saudi Power Procurement Company (SPPC), and applied the average tariff to the power purchased during the year. In accordance with the Bulk Supply Agreement (BSA) from July 1, 2022, the Bulk Supply Tariff is lower during the winter seasons (January to April and October to December) and higher during the summer seasons (May to September) as determined by the Authority to influence consumption pattern. This will result in uneven average cost incurred to the Group during the fiscal year due to the different tariff structure used by SPPC to determine the bulk supply tariff in each season, the bulk supply tariff methodology will be reviewed on an ongoing basis, however the Group is obligated to purchase power on an annual basis at variable cost as a result of seasonal tariffs and any changes during seasons will be amended prospectively.

On the other hand, the tariff on which the electricity sold to the customers along with the Energy Conversion Agreement (ECA) does not have significant seasonal tariff / income, hence to be in line with the revenue recognized, the cost has been accrued or deferred accordingly to reflect the systematic and reasonable allocation of cost, resulting in a fair presentation of the consolidated financial statements.

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

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

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 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.

Asset retirement obligation

The Group assesses its obligations in relation to the assets' retirement, for which the management believes it is difficult to estimate it due to the remote expectations of retiring such assets being historically subjected to continuous renewals, unavailability of reliable information, the impracticality of the assessment along with the nature of the off-taker. However, in accordance with Energy Conversion Agreement (ECA), obligation in relation to the decommissioning and deconstruction of the Generation plant and the rehabilitation of the site, if any, will be the responsibility of the Saudi Power Procurement Company (off-taker), which is ultimately owned by the government that also owns the land.

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.

6. 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. These changes are reflected in the interim financial results of the Group during the year.

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7. 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 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:

Operating activities	Description
Generation	Production 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 June 29, 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 Procurement Company starting from July 1, 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 Producers had been discontinued, and those balances had been excluded from the segmental information as on July 1, 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 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 consolidated 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 till the exclusion date referred above.
- B. For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and

Other segments include the telecommunication and other activities.

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7. OPERATING SEGMENTS AND THE FUTURE RESTRUCTURING OF THE GROUP'S ACTIVITIES (CONTINUED)

December 31, 2023 (SR in million)	Saudi Electricity Company	National Grid Company	Other subsidiaries	Adjustments/ eliminations	Total
Revenue					
External consumers	69,554	5,154	622	-	75,330
Between sectors	-	20,131	-	(20,131)	-
Total revenue	69,554	25,285	622	(20,131)	75,330
Cost of revenue					
Fuel	(122)	-	-	-	(122)
Purchased power	(38,270)	(3,538)	-	20,178	(21,630)
Operating and maintenance costs	(13,739)	(3,083)	(88)	(24)	(16,934)
Construction cost	-	(2,074)	-	-	(2,074)
Depreciation - operation and maintenance	(11,207)	(7,523)	(276)	-	(19,006)
Depreciation - Right of use	(42)	-	-	-	(42)
Total cost of revenue	(63,380)	(16,218)	(364)	20,154	(59,808)
General and administrative expenses	(773)	(201)	(175)	-	(1,149)
Depreciation - general and administrative	(403)	-	-	-	(403)
Total general and administrative expenses	(1,176)	(201)	(175)	-	(1,552)
Other income/(expenses), net	1,595	(100)	171	(1,620)	46
Provision for receivable from consumption of electricity and other receivables, net	176	(21)	(6)	-	149
Finance cost, net	(3,611)	(1,637)	-	1,597	(3,651)
Share of profit from equity accounted investees	86	-	(2)	-	84
Zakat expenses	(227)	(115)	(7)	-	(349)
Profit for the year	3,017	6,993	239	-	10,249
As at December 31, 2023					
Property, plant and equipment, net	266,096	191,086	3,770	-	460,952
Total assets	394,725	192,577	4,524	(91,037)	500,789
Total liabilities	183,129	140,070	2,294	(81,022)	244,471

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7. OPERATING SEGMENTS AND THE FUTURE RESTRUCTUEING OF THE GROUP'S ACTIVITIES (CONTINUED)

December 31, 2022 (SR in million)	Saudi Electricity Company	National Grid Company	Other subsidiaries	Adjustments/ eliminations	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 revenue					
Fuel	(3,736)	-	-	-	(3,736)
Purchased power	(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 revenue	(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 income/(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 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 December 31, 2022					
Property, plant and equipment, net	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

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8. 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 January 1, 2022	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	-	495,450	-	181,641	35,565	-	-	27,388,426	28,101,082
Transfers from work in progress	245,790	940,240	2,245,782	121,701	18,939,059	798	9,451,949	(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	-	(810,331)	(11,473,578)	(209,652)	-	(1,018)	(4,479)	(12,638)	(12,511,696)
At December 31, 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
Additions	-	-	11,386	-	141,032	-	202,144	41,565,139	41,919,701
Transfers from work in progress	421,218	2,737,233	4,628,837	273,448	24,109,794	99,832	641,778	(32,912,140)	-
Transfer from investment properties (Note 11)	20	-	-	-	-	-	-	-	20
Transfer to investment properties (Note 11)	-	(21,208)	-	-	-	-	-	-	(21,208)
Transfer to intangible assets (Note 9)	-	-	-	-	-	-	-	(17,999)	(17,999)
Disposals	-	(121,133)	(79,530)	(37,182)	(428,566)	(15,757)	(22,795)	-	(704,963)
Reclassifications*	-	(5,600,929)	(10,023,186)	(38,243)	-	-	(115,005)	15,777,363	-
At December 31, 2023	6,683,082	65,807,987	181,208,525	7,178,072	434,116,478	1,758,127	7,525,212	67,682,697	771,960,180

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Accumulated depreciation	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network	Vehicles and heavy equipment	Others	Construction work in progress	Total
At January 1, 2022	-	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	-	(140,599)	(2,382,679)	(43,666)	-	(722)	(3,322)	-	(2,570,988)
At December 31, 2022	-	28,563,542	96,016,870	3,819,690	157,748,779	1,557,182	4,995,303	-	292,701,366
Depreciation for the year	-	2,105,969	6,350,889	273,666	10,709,507	41,848	338,449	-	19,820,328
Transfer to investment properties (Note 11)	-	(2,380)	-	-	-	-	-	-	(2,380)
Disposals	-	(87,718)	(76,604)	(33,830)	(311,024)	(15,757)	(21,632)	-	(546,565)
Reclassifications*	-	(215,787)	(730,475)	(1,700)	-	-	(16,130)	-	(964,092)
As at December 31, 2023	-	30,363,626	101,560,680	4,057,826	168,147,262	1,583,273	5,295,990	-	311,008,657
Net book value									
As at December 31, 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
As at December 31, 2023	6,683,082	35,444,361	79,647,845	3,120,246	265,969,216	174,854	2,229,222	67,682,697	460,951,523

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

The land item also includes plots of land with a book value of SR 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	Total
As at December 31, 2023					
Land	131,113	584,947	221,948	5,745,074	6,683,082
Buildings	17,285,173	14,427,802	689,124	3,042,262	35,444,361
Machinery and equipment	71,991,720	3,792,397	392,129	3,471,599	79,647,845
Capital spare parts	2,023,047	816,293	280,905	1	3,120,246
Transmission and distribution network	-	145,136,384	120,832,832	-	265,969,216
Vehicles and heavy equipment	147	1,066	-	173,641	174,854
Others	851,861	1,100,206	180,503	96,652	2,229,222
Net book value	92,283,061	165,859,095	122,597,441	12,529,229	393,268,826
	Generation	Transmission	Distribution	General property	Total
As at December 31, 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

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

CONSTRUCTIONS WORK IN PROGRESS

	Generation	Transmission	Distribution	General property	Joint operations	Total
At January 1, 2022	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)
At December 31, 2022	5,310,373	17,586,097	17,232,609	3,141,255	-	43,270,334
Additions	2,592,221	17,966,711	16,788,859	968,689	-	38,316,480
Transfers to intangible assets	-	-	-	(17,999)	-	(17,999)
Borrowing costs capitalized	1,003,086	1,133,162	1,050,000	62,411	-	3,248,659
Transfers from CWIP to fixed assets	(5,090,444)	(11,099,907)	(15,382,660)	(1,339,129)	-	(32,912,140)
Transfers from fixed assets to CWIP	15,777,363	-	-	-	-	15,777,363
As at December 31, 2023	19,592,599	25,586,063	19,688,808	2,815,227	-	67,682,697

- Additions to projects under construction include capitalized interest of SR 3.2 billion during December 31, 2023 (December 31, 2022: SR 0.836 billion). The capitalization rate for the year ended December 31, 2023 was 6.64% (December 31, 2022: 2.91%).

*During the year ended December 31, 2023, the Company has reclassified some assets from property, plant and equipment to construction work in progress at its original cost of SR 15.78 billion due to absence of Energy Conversion Agreement (ECA), which is expected to be executed post successful testing has resulted in these assets not ready for intended use. This has resulted in associated depreciation and borrowing cost charged back to these assets amounting to SR 0.964 billion and SR 1.2 billion, respectively.

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9. INTANGIBLE ASSETS, NET

	Pipeline right-of-use	Software	Intangible assets in progress	Total
Cost:				
As of January 1, 2022	292,278	632,248	13,042	937,568
Additions	-	13,072	-	13,072
Transferred from intangible assets in progress	-	13,042	(13,042)	-
As of December 31, 2022	292,278	658,362	-	950,640
Transfer from construction work in progress (Note 8)	-	17,999	-	17,999
Adjustment during the year	32,914	2,958	-	35,872
Reclassified to equity accounted investees (Note 12)	-	(15,000)	-	(15,000)
As of December 31, 2023	325,192	664,319	-	989,511
Accumulated amortisation:				
As of January 1, 2022	177,114	351,477	-	528,591
Amortisation for the year	14,774	54,157	-	68,931
As of December 31, 2022	191,888	405,634	-	597,522
Amortisation for the year	14,780	55,413	-	70,193
Adjustment during the year	32,914	2,958	-	35,872
Other adjustments	-	(2,958)	-	(2,958)
As of December 31, 2023	239,582	461,047	-	700,629
Net Book Value:				
As of December 31, 2022	100,390	252,728	-	353,118
As of December 31, 2023	85,610	203,272	-	288,882

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10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

10.1 RIGHT-OF-USE ASSETS

	Vehicles and equipment	Land	Buildings	Total
Cost:				
As of January 1, 2022	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 December 31, 2022	334,856	55,481	88,798	479,135
Additions	297,911	-	24,773	322,684
De-recognized	(336,052)	(710)	(16,716)	(353,478)
As of December 31, 2023	296,715	54,771	96,855	448,341
Accumulated depreciation:				
As of January 1, 2022	334,853	13,977	24,620	373,450
Charge for the year	-	4,335	11,739	16,074
De-recognition of Joint operation	-	(231)	(10)	(241)
As of December 31, 2022	334,853	18,081	36,349	389,283
Charge for the year	17,716	4,297	20,146	42,159
De-recognized	(336,052)	(710)	(16,716)	(353,478)
As of December 31, 2023	16,517	21,668	39,779	77,964
Net Book Value:				
As of December 31, 2022	3	37,400	52,449	89,852
As of December 31, 2023	280,198	33,103	57,076	370,377

The average lease term is 5 years (2022: 5 years).

The total cash outflow for leases amount to SR 44 million (2022: SR 34 million).

10.2 LEASE LIABILITIES

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

	Future minimum lease payments	Interest	Present value of minimum lease payments
2023			
Future minimum lease payments:			
Less than one year	87,873	10,611	77,262
Between two and five years	266,912	20,438	246,474
More than five years	51,596	11,109	40,487
	406,381	42,158	364,223
2022			
Less than one year	23,212	3,639	19,573
Between two and five years	55,197	19,382	35,815
More than five years	48,036	23,201	24,835
	126,445	46,222	80,223

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10. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

10.2 LEASE LIABILITIES (CONTINUED)

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

	2023	2022
Current portion	77,262	19,573
Non-current portion	286,961	60,650
	364,223	80,223

The Group does not face a significant liquidity risk with regard to its lease liabilities.

11. INVESTMENT PROPERTIES

	Land	Buildings	Total
Cost:			
As at January 1, 2022	331,625	128,263	459,888
As at December 31, 2022	331,625	128,263	459,888
Transfer (to)/from property, plant and equipment (Note 8)	(20)	21,208	21,188
As at December 31, 2023	331,605	149,471	481,076
Accumulated depreciation:			
As at January 1, 2022	-	10,688	10,688
Charge for the year	-	2,741	2,741
As at December 31, 2022	-	13,429	13,429
Transfer from property, plant and equipment (Note 8)	-	2,380	2,380
Charge for the year	-	2,895	2,895
As at December 31, 2023	-	18,704	18,704
Net Book Value:			
As at December 31, 2022	331,625	114,834	446,459
As at December 31, 2023	331,605	130,767	462,372

During the year 2022, the Group re-assessed the useful life of the buildings within the investment properties, which resulted in a decrease in the depreciation expense charged during 2022 amounted to SR 711 thousand.

The Group's lands classified as investment properties were evaluated by an external valuer to determine the fair value of the lands as of December 31, 2023. 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.

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11. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurement information in accordance with IFRS 13 as at December 31, 2023 which was completed during the fourth quarter in 2023 and the fair value amounted to SR 2.493 billion (2022: SR 2.127 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	1,697 million
Fair-value measurements – Buildings	Costing, capitalization and market comparison method	Rental income and maximize capital value	Level 2	796 million

Valuation techniques used to derive Level 2 fair values:

Level 2 fair values of lands 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.

12. EQUITY ACCOUNTED INVESTEEES

The balances related to these investments are as follows:

	2023	2022
Associates		
Gulf Cooperation Council Inter-Connection Authority	1,391,793	1,373,286
Gulf Laboratory Company for testing electrical equipment	195,948	98,544
Al Fadhly Co-Generation Company	49,827	-
Green Saudi Company for Carbon Services	116	259
Sidra One Holding Company	5	-
Qudra One Holding Company	5	-
Joint venture *		
Hajr for Electricity Production Company	1,320,952	1,381,492
Dhuruma Electricity Company	667,201	445,530
Rabigh Electricity Company	456,215	697,901
Al Mourjan for Electricity Production Company	595,026	619,521
Global Data Hub Company	19,835	6,641
	4,696,923	4,623,174

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

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

Starting from July 1, 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 December 31, 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 SR 284.6 million. This difference was adjusted in investment with corresponding impact on the retained earnings of the Group for the year ended 2022.

SEC had 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, the Saudi Electricity Company applied the following accounting for this change:

- Cease the proportionate consolidation of the assets and liabilities related to these companies (IPPs).
- 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 earnings in the Consolidated statement of changes in equity.

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

The movement in equity investments recognized under the equity method as of December 31, 2023 is as follows:

	Balance as of January 1, 2023	Deemed cost as of July 1, 2022	Additional investment/ reclassification	Share in profit/ (loss)	Share in other comprehensive income/(loss)	Dividend received	Balance as of December 31, 2023
<u>Associate companies</u>							
Gulf Cooperation Council Inter- Connection Authority (GCCIA)	1,373,286	-	-	18,507	-	-	1,391,793
Gulf Laboratory Company for Testing Electrical Equipment (GLC)	98,544	-	105,600	(8,196)	-	-	195,948
Al Fadhly Co-Generation Company (AFGC)	-	-	-	1,978	47,849	-	49,827
Green Saudi Company for Carbon Services (GSCCS)	259	-	-	(143)	-	-	116
Sidra One Holding Company (SOHC)	-	-	5	-	-	-	5
Qudra One Holding Company (QOHC)	-	-	5	-	-	-	5
<u>Joint Ventures</u>							
Hajr for Electricity Production Company (HEPC)	1,381,492	-	-	(12,473)	(27,067)	(21,000)	1,320,952
Rabigh Electricity Company (REC)	445,530	-	-	29,626	(7,173)	(11,768)	456,215
Dhuruma Electricity Company (DEC)	697,901	-	-	73,534	(60,720)	(43,514)	667,201
Al Mourjan for Electricity Production Company (MEPCO)	619,521	-	-	(17,354)	(7,141)	-	595,026
Global Data Hub Company (GDH) (Note 9)	6,641	-	15,000	(1,806)	-	-	19,835
Investment movement during the year 2023	4,623,174	-	120,610	83,673	(54,252)	(76,282)	4,696,923
Investment movement during the year 2022	1,470,036	2,858,127	-	307,749	(1,976)	(10,762)	4,623,174

The following was the preliminary financial information at the time of transition according to the (unaudited) financial statements of the Independent Power Producer companies as of June 30, 2022 which had been prepared according to the IFRS.

Description	MEPCO	DEC	HEPC	REC	Total
Percentage of ownership	50%	50%	50%	20%	
	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	1,06	878

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

The following table represents the most important items relating to the Group's material equity accounted investments:

For the year ended December 31, 2023

	GCCIA	HEPC	REC	DEC	MEPCO
Current assets	989,809	257,094	472,722	401,026	196,199
Non-current assets	4,121,159	8,179,108	6,963,217	4,733,032	4,940,902
Current liabilities	152,512	705,268	690,902	509,486	401,302
Non-current liabilities	555,724	5,167,041	4,704,572	3,445,285	3,545,745
Equity	4,402,732	2,563,893	2,040,465	1,179,287	1,190,054
Operating income	321,554	982,209	875,779	860,251	586,818
Cost of sales	(138,488)	(566,624)	(184,735)	(459,646)	(335,017)
Gross profit	183,066	415,585	691,044	400,605	251,801
General and administrative expenses	(165,719)	(155,423)	(221,274)	(13,635)	(60,053)
Operating profit for the year	17,347	260,162	469,770	386,970	191,748
Other income, net	3,746	(1,500)	10,742	-	2,613
Finance (expense)/income	33,751	(253,729)	(315,004)	(204,174)	(228,158)
Profit before zakat	54,844	4,933	165,508	182,796	(33,797)
Zakat and income tax expense	-	(29,466)	(17,387)	(35,562)	-
Profit/(loss) for the year	54,844	(24,533)	148,121	147,234	(33,797)

For the year ended December 31, 2022

	GCCIA	HEPC	REC	DEC	MEPCO
Current assets	794,291	381,133	293,997	395,866	184,434
Non-current assets	3,620,869	8,746,105	7,895,301	5,128,793	5,079,965
Current liabilities	89,456	653,468	552,429	479,195	500,543
Non-current liabilities	80,010	5,337,084	4,925,059	3,647,696	3,524,814
Equity	4,245,694	3,136,686	2,711,810	1,397,768	1,239,042
Operating income	308,955	918,646	932,584	847,019	399,911
Cost of sales	(129,872)	(560,204)	(176,856)	(470,299)	(310,850)
Gross profit	179,083	358,442	755,728	376,720	89,061
General and administrative expenses	(54,979)	(139,122)	(217,975)	(11,035)	(53,126)
Operating profit for the year	124,104	219,320	537,753	365,685	35,935
Other income, net	14,475	7,067	101	-	36,214
Finance expense	-	(242,891)	(323,805)	(221,339)	(148,944)
Profit before zakat	138,579	(16,504)	214,049	144,346	(76,795)
Zakat and income tax expense	-	(13,541)	(23,525)	(18,219)	(10)
Profit/(loss) for the year	138,579	(30,045)	190,524	126,127	(76,805)

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the equity accounted investees recognised in the consolidated financial statements:

For the year ended December 31, 2023

	GCCIA	HEPC	REC	DEC	MEPCO
Net assets	4,402,732	2,563,893	2,040,465	1,179,287	1,190,054
Proportion of the Group's ownership interest	31.6%	50%	20%	50%	50%
	1,391,263	1,281,947	408,093	589,644	595,026
Other adjustments	530	39,005	48,122	77,557	-
Carrying amount of the Group's interest	1,391,793	1,320,952	456,215	667,201	595,026

For the year ended December 31, 2022

	GCCIA	HEPC	REC	DEC	MEPCO
Net assets	4,245,694	3,136,686	2,711,810	1,397,768	1,239,042
Proportion of the Group's ownership interest	31.6%	50%	20%	50%	50%
	1,341,639	1,568,343	542,362	698,884	619,521
Other adjustments	31,647	(186,851)	(96,832)	(983)	-
Carrying amount of the Group's interest	1,373,286	1,381,492	445,530	697,901	619,521

All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies Note 4.

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

13. FINANCIAL ASSETS AT AMORTISED COST

	2023	2022
Sadara Company for Basic Services' Sukuk "Sadara"	18,133	17,038
Arabian Aramco Total Services Company's Sukuk "Satorp"	-	10,816
Carbon reduction certificate	750	750
	18,883	28,604
Impairment in financial assets at amortised cost	(76)	(76)
	18,807	28,528

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14. FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
Shuaiba Water and Electricity Company	86,472	190,850
Shuqaiq Water and Electricity Company	60,597	67,360
Jubail Water and electricity limited Company	88,315	84,727
Shuaibah Expansion Holdings	15,261	16,398
	250,645	359,335

The dividends received in respect of these investments by the Group amounted to SR 48 million (2022: SR 45 million) which are disclosed in Note 40.

The valuation methodology for these investments in accordance with IFRS 13 is disclosed in note 44.3.

15. INVENTORIES, NET

	2023	2022
Material and supplies:		
Generation plant	2,409,063	2,257,410
Distribution network	1,691,137	1,541,571
Transmission network	215,726	206,045
Others	81,591	304,698
	4,397,517	4,309,724
Less: Provision for slow-moving and obsolete inventories	(788,027)	(932,173)
	3,609,490	3,377,551

The permanent decrease in the value of the inventory amounted to SR 102.6 million as on December 31, 2023 (2022: SR 198 million).

The movement in the provision for slow-moving and absolute inventories during the year is as follows:

	2023	2022
Balance as at beginning of the year	932,173	822,075
(Reversal) /charge for the year	(144,146)	110,098
Balance as at the end of the year	788,027	932,173

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16. RECEIVABLES FROM SALE OF ELECTRICITY, NET

	2023	2022
Commercial, residential and industrial	11,890,709	12,561,012
Governmental institutions (note 37d) (a)	6,444,187	5,760,367
Due from related parties (a)	3,456,936	4,867,973
Receivables for electricity service connection projects	1,709,575	2,053,199
	23,501,407	25,242,551
Add: Unbilled revenue	3,449,047	3,234,316
	26,950,454	28,476,867
Less: provision for doubtful electricity receivables (b)	(3,478,376)	(3,580,487)
	23,472,078	24,896,380

a) During the year 2023, the Group settled an amount SR 2.6 billion due from electricity consumers of governmental institutions for year 2022 and before within the settlement of Ministry of Finance due (2022: SR 5.4 billion).

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

	2023	2022
Balance as at beginning of the year	3,580,487	2,364,760
(Reversal)/charge for the year	(56,731)	1,354,885
Utilised during the year	(45,380)	(139,158)
Balance as at the end of the year	3,478,376	3,580,487

17. LOANS AND ADVANCES

	2023	2022
Due from a related party (note 37d)	446,859	346,701
Advances to:		
Contractors and suppliers	3,334,798	797,695
Employees	17,754	32,952
	3,799,411	1,177,348

18. PREPAYMENTS AND OTHER RECEIVABLES, NET

	2023	2022
Prepaid and other expenses	9,050	15,329
Insurance and other claims	279,481	216,888
Other receivables	1,893,209	1,125,852
Due from the Ministry of Finance (note 37d) *	-	1,753,025
	2,181,740	3,111,094
Less: Provision for doubtful other receivables balances (a)	(334,035)	(437,196)
	1,847,705	2,673,898

* This balance represented the amount due from the government as a result of the settlement during the year 2022 (Note 37).

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18. PREPAYMENTS AND OTHER RECEIVABLES, NET (CONTINUED)

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

	2023	2022
Balance as at beginning of the year	437,196	413,606
(Reversal)/charge for the year	(93,137)	23,590
Utilised during the year	(10,024)	-
Balance as at the end of the year	334,035	437,196

19. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	3,431	3,872
Cash at banks	618,121	3,158,952
	621,552	3,162,824

20. SHARE CAPITAL

The Company's share capital is divided into 4,166,593,815 shares of SR 41,665,938,150 with a nominal value of SR 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 (corresponding to July 13, 2017).

21. DIVIDENDS

The General Assembly of the Company, in its meeting held on 27 Shawaal 1444H, corresponding to May 17, 2023, approved the distribution of cash dividends for the year 2022 to the shareholders of the Company amounting to SR 2.9 billion at SR 0.70 per share, representing 7% of the par value of the share (2022: SR 2.9 billion).

The Board of Directors of the Saudi Electricity Company recommended, in its meeting held on 24 Sha'ban 1445H, corresponding to March 5, 2024, to the Company's general assembly of shareholders to pay cash dividends for the financial year 2023 to the shareholders of the Company and their equivalent with an amount of SR 2.9 billion at SR 0.70 per share, representing 7% of the par value of the share.

22. RESERVES

Statutory reserve

The Ministry of Commerce of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective January 19, 2023 with a grace period of two years for implementation. During the year, the Extraordinary General Assembly Meeting approved the amendment to the Company's Bylaws in accordance with the new Companies Law which does not require to set aside a statutory reserve.

Previously, in accordance with the Company's Bylaws, the Company was required to transfer 10% of the net income to the statutory reserve until this reserve reached 30% of the capital.

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22. RESERVES (CONTINUED)

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 merger (note 1), in addition to the collections of surcharges from individuals of electricity fees subsequent to December 31, 2001.

Contractual reserve for Mudaraba financial 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 November 15, 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 SR 167.9 billion, into a financial instrument, which is 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.

The General Assembly, held on 12/05/1442H corresponding to December 27, 2020, approved to create contractual reserve for the purpose of profit payment on Mudaraba agreement concluded between the Company and the Ministry of Finance which is referred to in the Mudaraba agreement.

The Board of Directors has approved the relevant decisions shown in the following table.

	2023	2022
Balance at the beginning of the year	860,593	860,593
Transferred from retained earnings during year	7,661,376	7,661,376
Paid during the year	(7,661,376)	(7,661,376)
Balance at the end of the year	860,593	860,593

23. 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 November 15, 2020), 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 SR 167.9 billion, into a financial instrument within equity.

The General Assembly, held on 05/12/1442H corresponding to December 27, 2020, 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.

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23. MUDARABA INSTRUMENT (CONTINUED)

The net financial liabilities accrued to the government on the Company amounting to SR 167.92 billion have been transferred to a secondary financial instrument, unsecured, with an unspecified, payment term, and an annual profit margin of 4.5% for a period of 3 years ending in 2023, after which the profit margin will be updated. Profit for the following years is to be calculated 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 December 27, 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 SR 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 at the time of initial transfer and has not changed since initial recognition, which was measured according to Level 3 fair value hierarchy measurement, of SR 159 billion.

The fair value of the Mudaraba was determined based on an income approach where perpetual cash flows based on the profit rate of the instrument were discounted at an appropriate discount rate of 4.3% derived based on 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 was 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.

24. EMPLOYEES' BENEFITS OBLIGATION

	2023	2022
Employees' end of service benefits (note 24.1)	6,667,764	5,781,990
Employees' savings fund (note 24.2)	1,206,300	1,119,482
Human resources productivity improvement program (note 24.3)	1,406,830	1,402,612
	9,280,894	8,304,084

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE 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 December 31, 2023 and December 31, 2022 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.

Significant actuarial assumptions for the determination of the employee benefits liability are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented may not be representative of the actual change in the employee benefits liability as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the sensitivity analysis, the present value of the employee benefits liability has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefits liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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

	2023	2022
Gross discount rate	4.93%	4.68%
Price inflation	2.47%	2.00%
Salary inflation average rate	5.00%	4.50%

Sensitivity Analysis - Base Assumptions (Impact on liability)

	2023	2022
Discount rate + 1%	(582,476)	(608,284)
Discount rate - 1%	685,960	723,693
Salary increase + 1%	697,607	725,038
Salary increase - 1%	(602,135)	(620,493)
Withdrawal rate 10%	(12,611)	(5,474)
Withdrawal rate -10%	12,805	5,606
Mortality rate 10%	(1,697)	(236)
Mortality rate -10%	1,707	236

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE BENEFITS (CONTINUED)

The reconciliation of the employee's end of service benefits obligation for the year ended December 31:

2022	Statement of profit or loss	Re- measurement	Cash movements	Total
As at January 1, 2022				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
Actuarial (gain)/loss from experience adjustments	-	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 45)*				(1,486)
De-recognition of Joint Operations Settlement from end of service **				(3,732)
As at December 31, 2022				<u>5,781,990</u>
2023				
Current service cost	470,076	-	-	470,076
Interest cost	270,597	-	-	270,597
Past service cost	513,970	-	-	513,970
(Gain)/loss from change in financial assumptions	-	162,975	-	162,975
(Gain)/loss from change in demographic assumptions	-	18,503	-	18,503
Actuarial (gain)/loss from experience adjustments	-	174,194	-	174,194
Benefit payments	-	-	(724,541)	(724,541)
Total movement during the year	1,254,643	355,672	(724,541)	885,774
As at December 31, 2023				<u>6,667,764</u>

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24. EMPLOYEES' BENEFITS (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE BENEFITS (CONTINUED)

* The total balance amounted to SR 68,571 on disposal of the subsidiary as on June 30, 2022 (note 45).

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

Undiscounted expected benefit payments within five years:

	2023	2022
Within one year	658,122	348,144
1 – 2 years	659,712	305,528
2 – 3 years	319,145	272,578
3 – 4 years	322,211	277,150
4 – 5 years	335,369	297,013

The weighted average duration of the employees' defined benefit obligation is 10.43 years (2022: 11.5 years).

Risks associated with defined benefit schemes:

The entity is exposed to the following risks associated with defined benefit schemes:

Salary Increase risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than the assumed level will increase the plan's liability.

Interest rate risk: A fall in the discount rate will increase the present value of the liability requiring higher provisions.

Withdrawal risk: Actual withdrawals/attrition varying from the actuarial assumption can impose a risk to the benefit obligation.

Mortality risk: Since the benefits under the plan are not payable for lifetime and are payable till retirement age only, the plan does not have any longevity risk.

24.2 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 March 2, 2008), the Savings Plan Program was established 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.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.2 EMPLOYEES' SAVINGS FUND (CONTINUED)

	2023	2022
Balance at the beginning of the year	1,119,482	1,002,539
Charge for the year	186,636	165,644
Employee contribution	128,963	104,179
Paid during the year	(144,390)	(120,168)
(Increase)/decrease in asset value	(84,391)	(32,712)
Balance at the end of the year	1,206,300	1,119,482

The following are the liability balances of the employees' saving fund:

	2023	2022
Contribution by the Company	1,110,456	1,012,140
Employees' contribution	854,900	782,007
Total liability for employees' saving fund	1,965,356	1,794,147

The following are the assets of the employees' saving fund:

	2023	2022
Balances and deposits with banks	420,278	429,643
Investments in Sukuks	338,778	245,022
Total assets of the Fund	759,056	674,665

24.3 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 program on June 29, 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 breakup for the HR Productivity Improvement Program is as follows:

	2023	2022
Special offer	3,991	57,754
Mowama offer	468,612	567,917
Special offer and Mowama - 2022	934,227	776,941
	1,406,830	1,402,612

Employees participating in the aforementioned programs are entitled to benefits as calculated according to the following assumptions:

As of December 31, 2023, an independent actuarial exercise has been conducted to ensure the adequacy of provision for these HR productivity programs in accordance with the rules stated under the Saudi Arabian Labor Law by using the Projected Unit Credit Method as required under *IAS 19, Employee Benefits*. The following are additional assumptions used in evaluating these programs:

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.3 HUMAN RESOURCES PRODUCTIVITY IMPROVEMENT PROGRAM (CONTINUED)

Economic assumption used in valuation of Special offer:

	December 31, 2023	December 31, 2022
Discount rate	5.25%	4.79%
Inflation rate	5%	5%
Health care	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 Mowama:

	December 31, 2023	December 31, 2022
Discount rate	4.59%	4.57%
Inflation rate	5%	5%
Health care	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 valuation of Special offer and Mowama - 2022:

	December 31, 2023	December 31, 2022
Discount rate	4.93%	4.85%
Inflation rate	5%	5%
Average rate of salary inflation	5%	4.50%
Social insurance inflation rate	5%	4.5%
Savings and Savings Fund contribution rate	10%	10%
Health care	5%	5%
Offer acceptance rate	65.5%	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%.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.3 HUMAN RESOURCES PRODUCTIVITY IMPROVEMENT PROGRAM (CONTINUED)

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

	2023	2022
Balance at the beginning of the year	1,402,612	930,297
charge for the year	830,193	756,644
Paid during the year	(825,975)	(284,329)
Balance at the end of the year	1,406,830	1,402,612

25. DEFERRED REVENUE

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

	2023	2022
Balance at the beginning of the year	71,402,366	66,135,437
Increase during the year	6,241,040	7,715,505
Amortised during the year	(2,637,664)	(2,448,576)
Balance at the end of the year	75,005,742	71,402,366

	2023	2022
Current portion	2,748,577	2,572,487
Non-current portion	72,257,165	68,829,879
	75,005,742	71,402,366

26. DEFERRED GOVERNMENT GRANTS

This includes government grant received by Dawiyat Integrated Company for Telecommunications and Information Technology (a subsidiary) from Ministry of Communication and Information Technology to implement the fiber optic network. There are no unfulfilled conditions or other contingencies attaching to this grant.

	2023	2022
Balance at the beginning of the year	1,398,714	1,525,987
Amortisation during the year	(142,069)	(127,273)
Balance at the end of the year	1,256,645	1,398,714

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27. TRADE PAYABLES

	2023	2022
Contractors and retention payables	2,221,210	1,340,267
Accounts payable (note 37)	1,552,869	1,228,967
Saline Water Conversion Corporation – Purchase power cost (note 37)	118	313,425
Purchased power payable	-	1,938
Others	341,069	304,087
	4,115,266	3,188,684

28. ACCRUALS AND OTHER PAYABLES

	2023	2022
Accrued expenses (note 37)	12,319,182	6,427,362
Accrued interest expenses	1,689,843	727,576
Accrued employees' benefits	1,344,056	1,082,691
Other credit balances under settlement (a)	1,702,128	303,922
Accrued government fees (b)	830,421	6,273,726
Dividends payable	498,806	457,930
Others	37,314	13,180
	18,421,750	15,286,387

a) The balance resulted from the management's estimate of the difference between required revenue and actual revenue for the year 2023. It also includes the required revenue amendments for the year 2022 which was approved by the regulator until it is settled in accordance with the approved rules and regulations. Thus, it is recorded within other operating revenues (note 38).

b) This amount relates to government payable, and work is currently in process with the ministerial committee to settle these amounts (note 37).

29. PROVISION FOR OTHER LIABILITIES AND CHARGES

	Zakat	Other provision	Total
At January 1, 2022	504,202	988,399	1,492,601
Charge for the year	416,621	44,577	461,198
Paid during year	(437,685)	-	(437,685)
De-recognition of Joint operation	(9,843)	-	(9,843)
At December 31, 2022	473,295	1,032,976	1,506,271
Charge for the year	348,981	139,339	488,320
Paid during year	(471,946)	(60,004)	(531,950)
Reversed during the year	-	(287,528)	(287,528)
At December 31, 2023	350,330	824,783	1,175,113

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30. FINANCIAL INSTRUMENTS

30.1 Financial instruments other than interest bearing

	2023	2022
Derivative financial liabilities		
Derivative financial instruments at fair value	173,663	79,611
Other financial liabilities carried at amortised cost, other than interest bearing loans		
Trade payables	4,115,266	3,188,684
Accruals and other payables	18,421,750	15,286,387
Refundable deposits from customers	1,910,357	1,999,401
Total other financial liabilities carried at amortised cost, other than interest bearing loans	24,447,373	20,474,472

30.2 Interest bearing liabilities

Classification of borrowings as appearing in the consolidated statement of financial position as of December 31, 2023, is as follows:

	Short term loans	Long term loans	Sukuks	Total
Non-current	-	60,637,794	24,366,949	85,004,743
Current	8,915,653	2,907,948	13,125,000	24,948,601
	8,915,653	63,545,742	37,491,949	109,953,344

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

	Short term loans	Long term loans	Sukuks	Total
Non-current	-	50,826,958	29,990,770	80,817,728
Current	9,411,576	5,873,977	3,750,750	19,036,303
	9,411,576	56,700,935	33,741,520	99,854,031

Movement in borrowings during the year is as follows:

	Short term loans	Long term loans	Sukuks	Total
As at January 1, 2022	2,875,075	61,846,449	44,159,820	108,881,344
Proceeds from borrowings	19,442,851	13,515,149	-	32,958,000
Repayments of borrowings	(12,906,350)	(10,837,402)	(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 December 31, 2022	9,411,576	56,700,935	33,741,520	99,854,031
Proceeds from borrowings	8,068,208	14,503,702	7,501,000	30,072,910
Repayments of borrowings	(8,564,131)	(7,747,105)	(3,750,750)	(20,061,986)
Net charge to deferred costs	-	88,210	179	88,389
As at December 31, 2023	8,915,653	63,545,742	37,491,949	109,953,344

* The amount represented joint operations' loans that were excluded from the consolidated financial statements on July 1, 2022.

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.1 Long term loans

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

	Loan currency	Maturity date	Principal amount	2023	2022
Domestic Bank 2	SR	2025	5,000,000	767,200	1,152,000
Domestic Bank 3	SR	2025	10,000,000	-	2,723,810
Domestic Bank 6	SR	2026	3,500,000	2,493,750	2,546,250
Domestic Bank 7	SR	2024	2,400,000	-	2,220,000
Domestic Bank 8	SR	2026	15,200,000	14,288,000	14,592,000
Domestic Bank 9	SR	2029	2,850,000	2,830,000	2,840,000
Domestic Bank 10	SR	2027	9,000,000	8,730,000	8,910,000
Domestic Bank 11	SR	2032	1,500,000	1,485,000	1,500,000
Local Syndicated Loan 12 (a)	SR	2030	10,000,000	10,000,000	-
Domestic Bank 13 (b)	SR	2036	1,600,000	902,824	-
Domestic Bank 14 (c)	SR	2030	3,000,000	3,000,000	-
International Bank 2	USD	2024	3,709,125	41,976	351,327
International syndicated loan 3	USD	2026	5,251,120	1,311,940	1,749,554
International syndicated loan 4	USD	2028	7,240,715	2,877,050	3,480,571
International syndicated loan 6	USD	2029	3,375,585	1,686,739	1,968,144
International syndicated loan 7	USD	2029	1,575,336	787,480	918,810
International syndicated loan 9	USD	2033	4,500,000	1,256,379	749,275
International syndicated loan 10	USD	2027	11,265,874	11,265,874	11,265,874
			100,967,755	63,724,212	56,967,615
Less: current portion of long term bank loans			-	(2,907,948)	(5,873,977)
Less: unamortised portion of the prepaid fees			-	(178,470)	(266,680)
Non-current portion of long term bank loans			-	60,637,794	50,826,958

(a) On 23 Rajab 1444 AH corresponding to February 14, 2023, the Saudi Electricity Company signed a joint local financing agreement with a group of local banks at a value of SR 10 billion for a period of 7 years to finance the Company's general purposes, including capital expenditures without bank guarantees and pledges. As at December 31, 2023, the Company has utilised SR 10 billion from this facility agreement.

(b) On 6 Muharram 1445 AH corresponding to July 24, 2023, the Company entered into a credit facilities agreement with the Saudi Export-Import Bank amounting to SR 1.6 billion for 13.5 years to finance part of the Saudi-Egyptian electrical interconnection project without providing guarantees. As at December 31, 2023, the Company has utilised SR 0.9 billion from this facility agreement.

(c) On 21 Shawwal 1444 AH corresponding to May 11, 2023, the Saudi Electricity Company signed a bilateral local financing agreement with a local bank at a value of SR 3 billion for a period of 7 years to finance the Company's general purposes, including capital expenditures without bank guarantees and pledges. As at December 31, 2023, the Company has utilised SR 3 billion from this facility agreement.

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.2 Short term bank loans

The following are short-term loans:

	Loan currency	Principal amount	2023	2022
Domestic revolving bank loan 1	SR	3,000,000	3,000,000	2,000,000
Domestic revolving bank loan 2	SR	2,000,000	-	1,500,000
International syndicated loan 4	USD	9,665,625	5,915,653	5,911,576
Total short-term bank loans		14,665,625	8,915,653	9,411,576

30.2.3 SUKUK

	2023	2022
Non-current	24,366,949	29,990,770
Current	13,125,000	3,750,750
	37,491,949	33,741,520

Local sukuk

The outstanding Sukuk as of December 31, 2023, are as follows:

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 4	January 30, 2014	SR 1 Million	SR 4.5 Billion	2054

The Sukuk have been issued at par value with no discount or premium. The Sukuk bears 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 is expecting to repurchase Sukuk balance of SR 4.5 billion on its first purchase date and has been classified as current liability as of December 31, 2023.

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

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

Subsequently on January 30, 2024, these sukuku were fully redeemed at par value.

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.3 SUKUK (continued)

Global Sukuk

1. During April 2013, the Group also issued a global Sukuk amounting SR 7.5 billion equivalent to (US\$ 2 billion at par). The issuance consists of two types of Sukuk certificates. The first type amounting to SR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%.

Further during April 2023, the Group repaid 10 year tranche of international sukuk issued in 2013 amounting SR 3.75 billion (US \$ 1 billion).

2. During April 2014, the Group also issued a global Sukuk amounting to SR 9.4 billion equivalent to (US\$ 2.5 billion at par). The issuance consists of two types of Sukuk certificates. The first with a value of SR 5.6 billion (US \$ 1.5 billion), matures 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%. The Group has classified SR 5.6 billion sukuk as current sukuk as at December 31, 2023.
3. During September 2018 the Group also issued a global Sukuk amounting to SR 7.5 billion equivalent to (US\$ 2 billion at par). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SR 3 billion (US \$ 800 million), 5.3 years tenure with a fixed interest rate of 4.222% per annum and the second tranches with a value of SR 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum. The Group has classified SR 3 billion as current Sukuk as at December 31, 2023.
4. During September 2020, the Group issued an international green Sukuk amounting to SR 4.87 billion (US\$1.3 billion at par). The issuance consists of two tranches of Sukuk certificates. The first one with value of SR 2.43 billion (US\$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SR 2.43 billion (US\$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.
5. During April 2023, the Group issued an international green Sukuk amounting to SR 7.5 billion (US\$ 2 billion at par). The issuance consists of two types of Sukuk certificates. The first one with value of SR 4.5 billion (US\$ 1.2 billion) maturing after 10 years tenure with a fixed rate 4.63% and the second one with a value SR 3 billion (US\$ 800 million) maturing after 30 years tenure with fixed rate 5.68%.

30.2.4 LEASE LIABILITIES

	2023	2022
Non-current	286,961	60,650
Current	77,262	19,573
	364,223	80,223

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has interest rate hedging contracts with several banks with notional amount of SR 13.25 billion as of December 31, 2023 (2022: SR 2 billion). During the year, the Group has entered into a 6 year interest rate swap with notional amount of USD 3 billion (SR 11.25 billion) to hedge interest rate risk.

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 December 31, 2023 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 summarized in the table below:

	<u>2023</u>	<u>2022</u>
Derivative financial instruments assets:		
Interest rate swap		
Non-current	<u>150,374</u>	<u>209,806</u>
Derivative financial liabilities at fair value:		
Interest rate swap		
Non-current	<u>173,663</u>	<u>79,611</u>

31. ADVANCES FROM SUBSCRIBERS

The amount represents payments received from customers in advance against the development of infrastructure required for the electricity line to the project. Upon completion of infrastructure these advances are capitalized and amortised.

	<u>2023</u>	<u>2022</u>
Advances from subscribers	<u>18,733,439</u>	<u>15,610,907</u>

Further details related to advance form subscribers has been defined in the Note 49.

32. ZAKAT

32.1 ZAKAT PROVISION

Zakat for the year is as follows:

	<u>2023</u>	<u>2022</u>
Zakat for the year	<u>348,981</u>	<u>416,621</u>

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32. ZAKAT (CONTINUED)

32.1 ZAKAT PROVISION (CONTINUED)

Zakat expense based on the Group companies is as follows:

	2023	2022
Zakat for the year		
Saudi Electricity Company and its subsidiaries	348,981	418,279
Transferred to discontinued operations (note 46)	-	(1,658)
	348,981	416,621

The movement in zakat provision is as follows:

	2023	2022
Zakat:		
January 1	473,295	504,202
Provision for the year	348,981	416,621
Payments during the year	(471,946)	(437,685)
De-recognition of joint operations	-	(9,843)
December 31	350,330	473,295

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

	2023	2022
Income for the year before zakat	10,598,280	15,551,845
Zakat adjustments	3,360,960	3,188,905
Total adjusted profit	13,959,240	18,740,750

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

	2023	2022
Share capital	41,665,938	41,665,938
Total adjusted profit	13,959,240	18,740,750
Retained reserves	8,778,547	5,655,316
Retained earnings – opening	37,952,664	35,521,258
Mudaraba instrument	167,920,563	167,920,563
Various provisions	11,058,236	11,684,609
Loans and Sukuks	109,953,344	99,854,031
Deferred grants	1,256,645	1,398,714
Contractors and retention payables	2,221,210	1,340,267
	394,766,387	383,781,446
Deduct:		
Fixed assets and construction work in progress, net	460,951,523	438,038,263
Long term investments	5,220,843	2,269,613
Material and spare parts inventories	2,887,592	2,702,041
Zakat base	(74,293,571)	(59,228,471)
Zakat payable on the gross adjusted net profit	348,981	468,518

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32. ZAKAT (CONTINUED)

32.2 ASSESSMENT STATUS

The Group submitted its zakat returns within the statutory period for the year ended on December 31, 2022.

The Company received a letter of amendment of declarations from the Zakat, Tax and Customs Authority on April 29, 2021 for the declarations for the years from 2015 to 2018 amounting to SR 730 million. On February 26, 2024, the decision of the competent tax committee was received in favor of the Company as final assessment for the mentioned years. As a result of that, the Company reversed the additional provision that had been made in previous years for these assessments.

33. 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 December 31, 2023:

- Outstanding dispute between the Group and Saudi Arabian Oil Company (Saudi Aramco-Shareholder) in relation to supply of light oil instead of heavy oil by Saudi Arabian Oil Company to one of the station. According to the Group's assessment, the cumulative difference amounted to SR 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 January 16, 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of June 1, 2018, the total disputed amount from the beginning of the Company's incorporation on April 5, 2000 until May 30, 2018 amounted to SR 6.1 billion. The Group does not expect that the dispute will result in any additional commitments.

(b) There are some claims filed by one of the contractors against the Company. These are currently in the arbitral procedures, based on the amendment claims filed, the contractor is claiming an approximate amount of SR 1.5 billion. However, the Company has also filed counter claims against the Contractor amounting to SR 5.8 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 according to the supporting documents available to the Company.

(c) The Group has provided guarantees to some commercial banks and some other parties with a total amount SR 91 million as at December 31, 2023 (December 31, 2022: SR 56 million).

Contractual obligations

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.

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34. Contract Balances

Contract balances

The following table provides information about contract assets and contract liabilities from construction contracts with customers.

	<u>2023</u>	<u>2022</u>
Contract asset		
Current	<u>248,679</u>	<u>-</u>
Contract liability		
Current	<u>4,080,670</u>	<u>3,720,133</u>

The contract asset primarily relates to the Group's right to payment for performance completed to date in respect of Power Supply Implementation Agreement (PSIA) but not billed at the reporting date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Group management always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate.

The contract liabilities primarily relate to the advance consideration received from customers for PSIA, for which revenue is recognised over time.

The amount of SR 1.97 billion included in contract liabilities at December 31, 2022 has been recognised as construction revenue during the year ended December 31, 2023 (2022: SR Nil).

35. CAPITAL COMMITMENTS

The capital commitments at the date of the consolidated statement of financial position represent the value of the incomplete 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 SR 68 billion (December 31, 2022: SR 50 billion).

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36. EARNINGS PER SHARE

Basic earnings 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 year assuming that all dilutive shares are converted into ordinary shares.

The diluted earnings per share equal to the basic earnings per share for the year ended December 31, 2023 and December 31, 2022 as there are no financial instruments with a dilutive effect on basic earnings per share.

	2023		2022	
	Profit from continuing operations	Profit for the year	Profit from continuing operations	Profit for the year
Profit for the year	10,249,299	10,249,299	15,196,402	15,135,224
Less: profit attributable to Mudaraba Instrument	(7,661,376)	(7,661,376)	(7,661,376)	(7,661,376)
Adjusted net profit for the year	2,587,923	2,587,923	7,535,026	7,473,848
Weighted average number of ordinary shares at the yearend (<i>in thousands</i>)	4,166,594		4,166,594	
Basic and diluted earnings per share "Saudi Riyals"	0.62	0.62	1.81	1.79
Earning per share without deducting dividends for the Mudaraba instrument				
Basic and diluted earnings per share "Saudi Riyals"	2.46	2.46	3.65	3.63

37. RELATED-PARTY 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 and these entities are under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia). The following transactions were carried out with related parties:

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37. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	2023	2022
a) Sales of electricity:		
Group's ultimate controlling party	11,382,408	11,715,523
Entities under control of the Group's ultimate controlling party		
Saudi Power Procurement Company	15,981,381	8,479,102
Saudi Aramco	511,440	403,434
Saline Water Conversion Corporation	540,785	585,549
	28,416,014	21,183,608

	2023	2022
b) Purchases of energy and fuel		
-Entities under control of the Group's ultimate controlling party		
Saudi Power Procurement Company	37,178,438	10,644,715
Saudi Aramco	-	5,120,347
Saline Water Conversion Corporation	-	99,063
Fadhili Plant Cogeneration Company	-	95,942
-Joint venture and associates		
Dhuruma Electricity Company	-	347,822
Rabigh Electricity Company	-	426,765
Hajr for Electricity Production Company	-	399,103
Al Mourjan for Electricity Production Company	-	200,328
Total	37,178,438	17,334,085

The Group purchased fuel from Saudi Aramco and power from Saline Water Conversion Corporation and power producer companies at rates stipulated within the respective governmental resolutions till July 1, 2022. The Company executed the procedures for transferring all of the power and fuel purchase agreements to the Saudi Power Procurement Company through bulk purchase agreement starting from July 1, 2022.

	2023	2022
c) Others		
- Group's ultimate controlling party		
Payment from contractual reserve for Mudaraba instrument	7,661,376	7,661,376

d) Year end balances arising from transactions with related parties

	2023	2022
Receivable from sale of electricity, net		
-Group's ultimate controlling party		
Governmental electricity receivables	6,444,187	5,760,367
-Entities under control of the Group's ultimate controlling party		
Saudi Power Procurement Company	2,688,458	4,419,049
Saudi Aramco	221,319	205,742
Saline Water Conversion Corporation	547,159	243,182
	9,901,123	10,628,340

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37. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

d) Year-end balances arising from transaction with related parties (continued)

	2023	2022
Loan and advances		
- Joint ventures and associates:		
Al-Fadhli Co-production- loans	232,613	251,745
Global Data Center Company- loans	76,986	55,250
Sidra One Holding Company	68,630	-
Qudra One Holding Company	68,630	-
Al Mourjan for Electricity Production Company- loans	-	39,706
	<u>446,859</u>	<u>346,701</u>

	2023	2022
Prepayments and other receivables		
-Entities under control of the Group's ultimate controlling party		
Due from the Ministry of Finance	-	1,753,025

This balance represented the net amount due from the government resulted from the settlement in 2022 of some balances due from government agencies against balances due to some government agencies based on the relevant ministerial minutes and decisions.

	2023	2022
Contract asset		
-Entities under control of the Group's ultimate controlling party		
Saudi Aramco	248,679	-

	2023	2022
Trade payables and accruals		
-Entities under control of the Group's ultimate controlling party		
Saline Water Conversion Corporation	118	313,425
Government payable expenses	830,421	6,273,726
Saudi Power Procurement Company	30,371	-
Saudi Aramco	137,652	-
	<u>998,562</u>	<u>6,587,151</u>

	2023	2022
Deferred government grant		
Group's ultimate controlling party		
Ministry of Communication and Information Technology (MCIT)	1,256,645	1,398,714

e) Compensation of key management personnel

Key management personal includes the Board of Directors and members of executive committee. The compensation paid or payable to key management personal for employees services is shown below:

	2023	2022
Salaries, compensation and allowances	14,131	10,548
Annual and periodic bonus	17,015	11,444
	<u>31,146</u>	<u>21,992</u>

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38. OPERATING REVENUE

	2023	2022
Sales of electricity	64,876,931	62,333,967
Electricity service connection fees	2,637,664	2,448,576
Meter reading, maintenance and bills preparation fees	1,489,745	1,453,626
Transmission system revenues	1,745,962	1,380,325
Other operational revenue*	2,359,901	4,462,930
Construction revenue **	2,219,470	-
	75,329,673	72,079,424

* This item includes an amount of SR 1.2 billion, which represents the difference between required revenue and actual revenue based on management's best estimate for the year ended December 31, 2023, (December 31, 2022: SR 3.1 billion).

** The Group has right to payment for performance completed to date, therefore as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

39. COST OF REVENUE

	2023	2022
Purchased power (note 39.1)	21,630,397	15,576,584
Operation and maintenance expenses	16,933,865	14,114,434
Construction cost	2,074,220	-
Depreciation of operation and maintenance assets	19,005,429	18,876,198
Fuel	122,227	3,736,318
Depreciation of right-of-use assets	42,159	16,073
	59,808,297	52,319,607

39.1 Purchased power

	2023	2022
Purchased power	37,611,778	24,055,686
Less: Power supplied to SPPC under Energy Conversion Agreement	(15,981,381)	(8,479,102)
	21,630,397	15,576,584

40. OTHER INCOME, NET

	2023	2022
Amortisation of government grants	142,069	127,273
Others, net	572,068	438,929
Profit/(loss) on disposal of property, plant and equipment, net	103,544	(46,576)
Dividend income	48,432	44,875
Penalties and fines	24,645	33,939
Impairment in property, plant and equipment (note 8)	-	615,680
Employees related costs*	(844,262)	-
	46,496	1,214,120

*During the year, the Group has incurred an amount of SR 844 million as additional employee benefits/allowances as a result of Board of Director's decision to amend the basis of computation for certain payroll elements retroactively.

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41. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employees' expenses and benefits	565,954	644,862
Depreciation and amortisation	402,681	425,640
Communication fees	177,629	146,234
Materials	120,161	177,058
Research and development	8,163	12,290
Others	277,511	203,439
	1,552,099	1,609,523

42. FINANCE COSTS, NET

	2023	2022
Finance expense		
Bank loans	6,934,056	3,411,773
Lease contract	5,297	3,017
Less: interest capitalised	(3,248,656)	(835,850)
	3,690,697	2,578,940
Interest cost employees' benefit obligation	270,597	162,956
Total finance expense	3,961,294	2,741,896
Finance income		
Interest income	(310,260)	(61,231)
Total finance income	(310,260)	(61,231)
Net finance costs	3,651,034	2,680,665

43. 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.

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:

	2023	2022
Total borrowings	109,953,344	99,854,031
Less: cash and cash equivalents	(621,552)	(3,162,824)
Adjusted net debt	109,331,792	96,691,207
Total equity	256,317,712	257,050,724
Adjusted equity and net debt	365,649,504	353,741,931
Adjusted debt to equity ratio	30%	27%

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44. FINANCIAL RISK MANAGEMENT

44.1 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:

Financial assets as per the consolidated statement of financial position.

	2023		
	Financial assets through other comprehensive income	Financial assets at amortised cost	Total
Financial assets measured at fair value			
Financial assets through other comprehensive income	250,645	-	250,645
Derivative financial instruments	150,374	-	150,374
Financial assets not measured at fair value			
Financial assets at amortised cost	-	18,807	18,807
Cash and cash equivalents	-	618,121	618,121
Receivables from sale of electricity, net	-	23,472,078	23,472,078
Loans and advances	-	464,613	464,613
Other receivables	-	1,838,655	1,838,655
Total	401,019	26,412,274	26,813,293
2022			
	Financial assets through other comprehensive income	Financial assets at amortised cost	Total
Financial assets measured at fair value			
Financial assets through other comprehensive income	359,335	-	359,335
Derivative financial instruments	209,806	-	209,806
Financial assets not measured at fair value			
Financial assets at amortised cost	-	28,528	28,528
Cash and cash equivalents	-	3,158,952	3,158,952
Receivables from sale of electricity, net	-	24,896,380	24,896,380
Loans and advances	-	379,653	379,653
Other receivables	-	2,658,569	2,658,569
Total	569,141	31,122,082	31,691,223

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.1 FINANCIAL RISK FACTORS (CONTINUED)

Financial liabilities as per the consolidated statement of financial position.

	2023		
	Financial liabilities through other comprehensive income	Financial liabilities at amortised cost	Total
<u>Financial liabilities measured at fair value</u>			
Derivative financial instruments	173,663	-	173,663
<u>Financial liabilities not measured at fair value</u>			
Loans	-	72,461,395	72,461,395
Sukuk	-	37,491,949	37,491,949
Trade payables	-	4,115,266	4,115,266
Accruals and other payables	-	18,421,750	18,421,750
Refundable deposits from customers	-	1,910,357	1,910,357
Lease liabilities	-	364,223	364,223
Total	173,663	134,764,940	134,938,603

	2022		
	Financial liabilities through other comprehensive income	Financial liabilities at amortised cost	Total
<u>Financial liabilities measured at fair value</u>			
Derivative financial instruments	79,611	-	79,611
<u>Financial liabilities not measured at fair value</u>			
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
Refundable deposits from customers	-	1,999,401	1,999,401
Lease liabilities	-	80,223	80,223
Total	79,611	120,408,726	120,488,337

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.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK

44.2.1 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); and
- 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 transactions are not subject to foreign currency risk. The financial assets in US Dollar amounted to USD 46 million as of December 31, 2023 (December 31, 2022: USD 121 million), while the financial liabilities in US Dollar amounted to USD 15.5 billion (December 31, 2022: USD 15.3 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.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK – (CONTINUED)

44.2.1 MARKET RISK- (CONTINUED)

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.

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

	2023	2022
Variable interest rate borrowings	76,051,814	70,604,031
Fixed interest rate borrowings	33,901,530	29,250,000

Interest rate sensitivity

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

	For year ended December 31, 2023			
	Consolidated statement of profit or loss		Consolidated statement of changes in equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Loans at variable-rates	(760,518)	760,518	-	-
Interest rate swaps	-	-	545,504	(707,489)
Cash-flow sensitivity	(760,518)	760,518	545,504	(707,489)

	For year ended December 31, 2022			
	Consolidated statement of profit or loss		Consolidated 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	-	-	60,675	(67,182)
Cash-flow sensitivity	(706,040)	706,040	60,675	(67,182)

(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 financial assets through other comprehensive income ('FVTOCI') owned by the Group, where the risk to which the Group exposed is not significant, as the financial assets through other comprehensive income includes investments in unquoted equity securities.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

44.2.2 CREDIT RISK

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales. 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 which are settled in SADAD or using major credit cards and various electronic channels.

Impairment on financial assets consist of:

	2023	2022
Impairment in electricity receivables	3,478,376	3,580,487
Impairment in debt instruments at amortised cost	76	76
Impairment in other debit balances	334,035	437,196
	<u>3,812,487</u>	<u>4,017,759</u>

The credit period for the Group's operations is normally 30 days which is either contractually agreed or internally defined.

The Group uses the general approach to estimate the expected credit losses of government, semi-government entities and other financial assets at amortised 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.

Apart from this, the Group always measures the allowance for receivables from sale of electricity which are unsecured at an amount equal to lifetime ECL. The expected impairment loss on receivables from sale of electricity is estimated using a provision matrix by reference to past default experience of a group of debtors with similar loss patterns and where applicable an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The receivables consist of a large number of customers with small balances.

The Group believes that it is able to collect non-governmental receivables through the Group'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 80% of total outstanding receivables for more than one year.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The Group divides its customer base into different customer segments based on their type.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

44.2.2 CREDIT RISK (CONTINUED)

The following tables detail the risk profile of receivables from sale of electricity based on the Group's provision matrix used to estimate lifetime ECL using the simplified approach:

Receivables from sale of electricity – days past due as of December 31, 2023							
Not past due	0 - 90 days	91-180 days	181 – 270 days	271- 360 days	361 – 1080 days	More than 1080 days	Total
Estimated total gross carrying amount at default	4,786,592	2,965,989	974,391	565,537	217,349	1,863,849	13,307,584
Expected credit loss rate*	1.18%	7.80%	22.29%	39.97%	49.81%	50.20%	25.26%
Lifetime ECL	56,434	231,468	217,206	226,068	108,253	935,590	3,361,275
Receivables from sale of electricity – days past due as of December 31, 2022							
Not past due	0 - 90 days	91-180 days	181 – 270 days	271- 360 days	361 – 1080 days	More than 1080 days	Total
Estimated total gross carrying amount at default	2,356,392	2,552,356	834,292	329,672	310,210	2,024,931	9,830,067
Expected credit loss rate*	1.78%	8.15%	18.82%	32.21%	45.28%	47.78%	30.96%
Lifetime ECL	41,968	207,923	156,973	106,179	140,448	967,601	3,043,306

* Represents the weighted average credit loss rate for different classes of receivables from sale of electricity .

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

44.2.2 CREDIT RISK (CONTINUED)

The following table shows the movement in lifetime expected credit losses that have been recognized for receivables from sale of electricity in accordance with the simplified approach set out in IFRS 9 *Financial Instruments*:

	Lifetime expected credit loss - not credit impaired		Lifetime expected credit loss - credit impaired	Total
	Collectively assessed	Individually assessed		
Balance as of January 1, 2022	1,617,035	-	-	1,617,035
Net re-measurement of loss allowance	1,463,714	-	-	1,463,714
Utilised during the year	(37,443)	-	-	(37,443)
Balance as of January 1, 2023	3,043,306	-	-	3,043,306
Net re-measurement of loss allowance	363,349	-	-	363,349
Utilised during the year	(45,380)	-	-	(45,380)
Balance as of December 31, 2023	3,361,275	-	-	3,361,275

The following table shows the movement in expected credit losses using general approach that have been recognized for a class of customers with aggregate receivables from sale of electricity balance of SR 13.6 billion (2022: SR 18.6 billion):

	12-month ECL	
	2023	2022
January 1	537,181	747,725
Net re-measurement of loss allowance	(420,080)	(108,829)
Utilised during the year	-	(101,715)
December 31	117,101	537,181

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.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

44.2.2 CREDIT RISK (CONTINUED)

The Group's cash and cash equivalent are placed with commercial banks having a good grade credit rating.

On December 31, 2023 and December 31, 2022, there are no collateral financial instruments held.

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.

44.2.3 LIQUIDITY RISK

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

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.2 RISK MANAGEMENT FRAMEWORK (CONTINUED)

44.2.3 LIQUIDITY RISK (CONTINUED)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2023:					
Loans	11,823,601	3,062,178	41,555,561	16,020,055	72,461,395
Sukuk	13,125,000	2,437,500	4,500,000	17,429,449	37,491,949
Trade payables	4,115,266	-	-	-	4,115,266
Accrued expenses and other liabilities	18,421,750	-	-	-	18,421,750
Refundable deposits from customers	1,910,357	-	-	-	1,910,357
Lease obligation	77,262	82,531	163,944	40,486	364,223
Total	49,473,236	5,582,209	46,219,505	33,489,990	134,764,940

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2022:					
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
Refundable deposits from customers	1,999,401	-	-	-	1,999,401
Lease obligation	19,573	11,273	24,542	24,835	80,223
Total	39,530,348	16,838,113	42,268,723	21,771,542	120,408,726

44.3 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).

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 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 financial liabilities that are measured at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial asset through other comprehensive income	-	-	250,645	250,645
Derivative financial assets	-	150,374	-	150,374
Total financial assets	-	150,374	250,645	401,019
Financial liabilities				
Derivatives financial liabilities	-	173,663	-	173,663
Total financial liabilities	-	173,663	-	173,663
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 December 31, 2022:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial asset through other comprehensive income	-	-	359,335	359,335
Derivative financial assets	-	209,806	-	209,806
Total financial assets	-	209,806	359,335	569,141
Financial liabilities				
Derivatives financial liabilities	-	79,611	-	79,611
Total financial liabilities	-	79,611	-	79,611
Equity				
Mudaraba instrument			159,169,000	159,169,000
Equity financial instrument			159,169,000	159,169,000

Valuation techniques used to derive fair value - Level 2

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.

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44. FINANCIAL RISK MANAGEMENT (CONTINUED)

44.3 FAIR-VALUE MEASUREMENT (CONTINUED)

Fair value measurements using significant unobservable inputs - Level 3

The Group has four financial assets through other comprehensive income 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; and
- 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.

Unrealized gross (loss)/profit for the year ended December 31, 2023 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 loss of SR 108 million (2022: profit SR 5.9 million).

As on December 31, 2023, 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 SR 8.2 million (2022: SR 9.5 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 SR 8.8 million (2022: SR 22.6 million), where the discount risk rate reached in 2023: 8% (2022: 8%)

A 5% increase/decrease in expected dividend income will result in an increase/decrease of SR 12.5 million (December 31, 2022: SR 18 million) in the fair valuation of the 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:

	2023	2022
Opening balance	359,335	353,379
Change in present value during the year	(108,690)	5,956
Closing balance	250,645	359,335

Fair values of financial assets and liabilities measured at amortised cost:

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

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45. DISPOSAL OF SUBSIDIARY

On June 29, 2022 the Saudi Electricity Company ("the seller") entered into a sale and purchase agreement 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 June 30, 2022. Transfer of ownership of SPPC to the government had no material impact on its financial performance or the rights of its shareholders. The amount of sale was settled with Ministry of Finance settlement.

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 fulfil its obligations as a major purchaser of electricity in the Kingdom of Saudi Arabia.

The summarized financial position for the disposal group:

	<u>Amount</u>
Property and equipment	1,767
Due from Saudi Electricity Company	193,184
Cash and bank balances	47,669
Prepayments and other receivables	1,203
Other assets	15,932
Total assets	<u>259,755</u>
Other liabilities	146,208
Employees' end of service benefits	68,571
Total liabilities	<u>214,779</u>
Net assets	<u>44,976</u>
Disposal of Principle Buyer investment	<u>(2,000)</u>
Disposal of Principle Buyer Net assets	<u><u>42,976</u></u>

46. ASSET HELD FOR SALE

On June 29, 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 June 30, 2022. The amount of sale was settled with Ministry of Finance settlement.

On June 29, 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"). As a result, the disposal group was classified as assets held for sale and associated liabilities amounting to SR 785 million and SR 82 million on December 31, 2021, respectively. Furthermore, the Group continued to classify as discontinued operations in the consolidated statement of profit or loss for the disposed group of the Saudi Power Procurement Company till last year end as at December 31, 2022 (which represented the operation were done during period from January 1, 2022 till June 30, 2022):

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46. ASSET HELD FOR SALE (CONTINUED)

	<u>2022</u>
Other expense	(58,614)
Finance cost	(906)
loss before Zakat	(59,520)
Zakat expense	<u>(1,658)</u>
Disposed group loss	<u>(61,178)</u>

In the year ended December 31, 2022, the revenues of the Saudi Power Procurement Company amounted to SR 73 million for the six-period ended June 30, 2022 (for year ended as December 31, 2021: SR 159.7 million, which is entirely relating to sales revenues of the Group (transaction between group companies), which was 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.

47. 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. The 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.

48. NON-CASH TRANSACTIONS

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

	<u>2023</u>	<u>2022</u>
Transfer of property to property, plant and equipment to intangible assets	17,999	-
Transfer from property, plant and equipment to investment properties, net	18,828	-
Right-of-use assets recognized	322,684	-
Lease liabilities recognized	322,684	-
Intangible asset transferred to equity accounted investees	15,000	-
Other adjustment to equity accounted investee	2,958	-
Transfer of investment property to property, plant and equipment	20	-
Additions to property, plant and equipment, net	9,484,168	9,940,708
Other assets	-	1,337,292
Equity accounted investees	-	(2,858,127)
Loan and facilities	-	<u>(7,556,581)</u>

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49. COMPARATIVE FIGURES

During the year ended December 31, 2023, the Group has reassessed the nature and the related terms and conditions of various contracts particularly contracts for customer funded projects "subscribers funding their own projects". Due to the nature of some of these contracts and its terms and conditions, the Group has reclassified certain advances from current liabilities to noncurrent liabilities to reflect the contractual relationship in accordance with IAS 1 – "Presentation of Financial Statements", and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". As of December 31, 2022, the matter resulted in reclassifying the comparative balance by an amount of SR 19.3 billion from current liabilities to advances from subscribers (non-current liabilities) by SR 15.6 billion and to contract liabilities by SR 3.7 billion.

This reclassification has no impact on the equity reported on comparative consolidated statement of changes in equity, and on the comparative consolidated statements of cash flows, profit or loss and comprehensive income.

	As previously reported	Reclassification	New classification
Advances from subscribers (current liability)	19,331,040	(19,331,040)	-
Advances from subscribers (non-current liability)	-	15,610,907	15,610,907
Contract liabilities	-	3,720,133	3,720,133

50. SUBSEQUENT EVENT

- On 22 Rajab 1445H correspond to February 9, 2024, the Group issued a 5-year Sukuk tranche (the "First Tranche") and a 10-year Sukuk tranche (the "Second Tranche") in a total amount of SR 8.25 billion.
- On 15 Rajab 1445H corresponding to January 27, 2024, the Group redeemed its international sukuk amounting to SR 3 billion.
- On 13 Rajab 1445H corresponding to January 25, 2024, the Group redeemed its Local Sukuk amounting to SR 4.5 billion.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements were approved by the Board of Directors of the Group on 24 Shaban 1445H corresponding to March 5, 2024.