

**POWER AND WATER UTILITY
COMPANY FOR JUBAIL AND
YANBU (MARAFIQ) AND ITS
SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

FIRST QUARTER OF 2023

(1 January 2023 - 31 March 2023)

WITH INDEPENDENT AUDITOR'S REVIEW REPORT

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FIRST QUARTER OF 2023 (1 JANUARY 2023 – 31 MARCH 2023)**

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرغش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبر ٣١٤٦ - ٣٤٤١٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

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

To the Shareholders of Power and Utility Company for Jubail and Yanbu (MARAFIQ)

Introduction

We have reviewed the accompanying 31 March 2023 condensed consolidated interim financial statements of **Power and Water Utility Company for Jubail and Yanbu (MARAFIQ)** and its subsidiaries (the "Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2023;
- the condensed consolidated income statement for the three months period ended 31 March 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three months period ended 31 March 2023;
- the condensed consolidated statement of changes in equity for the three months period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three months period ended 31 March 2023; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

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© 2023 كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفران وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



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

To the Shareholders of Power and Utility Company for Jubail and Yanbu (MARAFIQ) (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2023 condensed consolidated interim financial statements of **Power and Water Utility Company for Jubail and Yanbu (MARAFIQ)** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in Kingdom of Saudi Arabia.

KPMG Professional Services

Abdulaziz Abdullah Alnaim

License No: 394



Al Khobar, 04 May 2023G


Corresponding to: 14 Shawwal 1444H.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023




	Note	31 March 2023 (Un-audited) SR '000	31 December 2022 (Audited) SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	19,835,313	19,990,861
Intangible assets		16,788	13,925
Equity accounted investees		58,188	68,783
Long-term receivables and prepayments		261,552	280,461
Total non-current assets		20,171,841	20,354,030
Current assets			
Inventories		279,536	296,306
Trade receivables		788,135	867,600
Prepayments and other current assets		410,506	446,730
Short-term deposits	12	1,417,000	1,575,900
Cash and cash equivalents		731,194	685,694
Total current assets		3,626,371	3,872,230
TOTAL ASSETS		23,798,212	24,226,260
EQUITY AND LIABILITIES			
Equity			
Share capital		2,500,000	2,500,000
Statutory reserve		321,737	321,737
Retained earnings		5,114,542	5,282,825
Equity before fair value reserve for cash flow hedge of investees		7,936,279	8,104,562
Fair value reserve for cash flow hedge of investees		114,747	140,295
Total equity		8,051,026	8,244,857
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	13	8,097,809	8,198,215
Lease liabilities		2,603,477	2,603,691
Other non-current liabilities	14	2,767,251	2,762,126
Deferred tax liabilities		2,831	4,367
Total non-current liabilities		13,471,368	13,568,399
Current liabilities			
Current portion of bank loans and borrowings	13	422,175	410,888
Current portion of lease liabilities		343,826	333,343
Short term borrowings		51,000	-
Trade payables		601,340	687,139
Accrued expenses and other current liabilities		857,477	981,634
Total current liabilities		2,275,818	2,413,004
Total liabilities		15,747,186	15,981,403
TOTAL EQUITY AND LIABILITIES		23,798,212	24,226,260

The condensed consolidated interim financial statements appearing on pages 1 to 18 were approved by the Board of Directors of the Company on 13 Shawwal 1444H corresponding to 03 May 2023G and have been signed on their behalf by:


Musaad Ahmed Al-Sayouhi
Authorized Board Member


Mohammed Berki Al-Zuabi
President & CEO


Muhammed Abdulhamid AlMulhim
VP Finance

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

مرفق
MARAFIQ

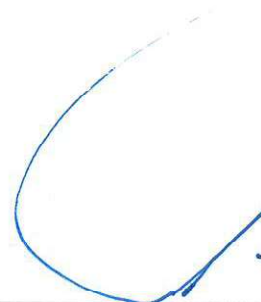
	<u>Note</u>	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
Revenue	10	1,473,173	1,462,025
Cost of revenue		<u>(1,217,358)</u>	<u>(1,216,594)</u>
Gross profit		255,815	245,431
Administrative expenses		(59,601)	(58,046)
Other operating income	11	38,744	29,041
Other operating expenses		<u>(1,301)</u>	<u>(502)</u>
Operating profit		233,657	215,924
Finance income		26,942	6,582
Finance cost		(130,800)	(59,172)
Share in results of equity accounted investees		<u>(6,435)</u>	<u>542</u>
Profit before Zakat and income tax		123,364	163,876
Zakat and income tax	7	<u>(16,647)</u>	<u>(20,928)</u>
Net profit for the period		106,717	142,948
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders		<u>0.43</u>	<u>0.57</u>



Musaad Ahmed Al-Sayouhi
Authorized Board Member



Mohammed Berki Al-Zuabi
President & CEO



Muhammed Abdulhamid AlMulhim
VP Finance

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**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES**

(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**


	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
Net profit for the period	106,717	142,948
<i>Other comprehensive income for the period</i>		
<i>Other comprehensive income items that are or may be reclassified to profit or loss account in subsequent periods:</i>		
Share of gain on cash flow hedge of investees, net of deferred tax	(25,548)	101,054
Total comprehensive income for the period	81,169	244,002



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POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

مرفق
MARAFIQ

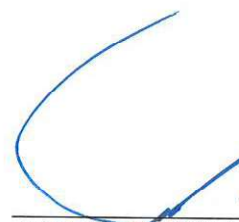
	Attributable to equity holders of the Parent Company				Total Equity SR '000
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of investees SR '000	
As at 1 January 2022 (Audited)	2,500,000	287,960	4,834,430	(71,304)	7,551,086
Profit for the period (Un-audited)	-	-	142,948	-	142,948
Other comprehensive income (Un-audited)	-	-	-	101,054	101,054
As at 31 March 2022 (Un-audited)	2,500,000	287,960	4,977,378	29,750	7,795,088
As at 1 January 2023 (Audited)	2,500,000	321,737	5,282,825	140,295	8,244,857
Profit for the period (Un-audited)	-	-	106,717	-	106,717
Other comprehensive income (Un-audited)	-	-	-	(25,548)	(25,548)
Dividends (Note 15)	-	-	(275,000)	-	(275,000)
As at 31 March 2023 (Un-audited)	2,500,000	321,737	5,114,542	114,747	8,051,026



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Authorized Board Member



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VP Finance

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POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

مرفق
MARAFIQ

	Note	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		106,717	142,948
Adjustments from:			
Depreciation of property, plant and equipment	6	297,881	286,918
Amortization of intangible assets		2,285	1,616
Amortization of deferred income		(14,452)	(14,216)
Amortization of deferred employee benefits		1,396	1,396
Provision for slow moving and obsolete inventories		2,780	2,304
Share in results of equity accounted investees		6,435	(542)
Employees' benefits charge		15,483	14,993
Finance income		(26,942)	(6,582)
Finance costs		130,800	59,172
Zakat and income tax charge	7	16,647	20,928
Changes in:			
Trade receivables		79,465	(133,199)
Inventories		13,990	3,608
Prepayment and other current assets		26,675	7,346
Long term receivables and prepayments		8,182	10,121
Trade payables		(85,799)	48,015
Accrued expenses and other current liabilities		(160,039)	(59,378)
Other non-current liabilities		9,231	15,890
Cash generated from operating activities		430,735	401,338
Employees' benefits paid		(5,137)	(2,535)
Interest paid		(37,766)	(34,682)
Zakat and income tax paid	7	(64,343)	(6,960)
Net cash from operating activities		323,489	357,161
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, net		(135,040)	(153,231)
Acquisition of intangibles		-	(842)
Interest income on deposits		21,747	3,870
Net movement in short-term deposits		158,900	(12,800)
Net cash generated from / (used in) investing activities		45,607	(163,003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans and borrowings		(94,391)	(87,177)
Proceeds from short term borrowings		51,000	51,000
Payment of lease obligation		(5,521)	(4,069)
Dividends paid		(274,684)	-
Net cash used in financing activities		(323,596)	(40,246)
Net change in cash and cash equivalents		45,500	153,912
Cash and cash equivalents at the beginning of the period		685,694	482,654
Cash and cash equivalents at the end of the period		731,194	636,566

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES**

(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**

مرافق
MARAFIQ

SUPPLEMENTAL CASH FLOW INFORMATION

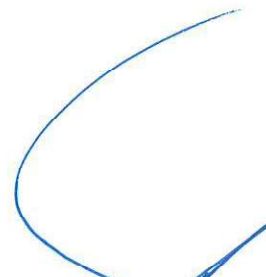
	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
Significant non-cash transactions		
Transfers to intangible assets from capital work in progress	5,148	-
Net change in fair value of cash flow hedge of investees	26,678	105,726
Additions to right of use assets / lease liabilities	12,441	-



Musaad Ahmed Al-Sayouhi
Authorized Board Member



Mohammed Berki Al-Zuabi
President & CEO



Muhammed Abdulhamid AlMulhim
VP Finance

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES**
(A SAUDI JOINT STOCK COMPANY)
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**



1. CORPORATE INFORMATION

Power and Water Utility Company for Jubail and Yanbu ("Marafiq" or "the Parent Company") was incorporated pursuant to Royal Decree No. M/29 dated 21/7/1421 corresponding to 18 October 2000 as a Saudi joint stock company, in accordance with Ministerial Decision No. 2101 dated 26/12/1421 corresponding to 21 March 2001 which approved the Articles of Association of the Parent Company.

The Parent Company operates under commercial registration number 2055004968 dated 17/6/1422 corresponding to 5 September 2001 issued in Jubail Industrial City. The Parent Company's registered office is situated in the Support Industries Area of Jubail Industrial City, Kingdom of Saudi Arabia.

The issued and paid-up capital of the Parent Company is divided into 250,000,000 shares of SR 10 per share amounting to SR 2,500,000,000 at the period / year end and was held as follows:

	31 March 2023	31 December 2022
Saudi Basic Industries Corporation ("SABIC")	17.50%	17.50%
Saudi Aramco Power Company ("SAPCO")	17.50%	17.50%
Royal Commission for Jubail & Yanbu ("Royal Commission")	17.50%	17.50%
Public Investment Fund ("PIF")	17.50%	17.50%
Free float	30.00%	30.00%
	100%	100%

The primary objective of the Parent Company is the operation, maintenance, construction, and management of (i) electric power systems, (ii) seawater cooling systems, (iii) desalinated water systems (including storage and distribution of process and potable water), and (iv) sanitary and industrial wastewater treatment systems to provide essential utility services to governmental, industrial, commercial, and residential customers in the industrial cities of Jubail and Yanbu. The Parent Company has also been selected by the Royal Commission as the sole power and water service provider for Jazan City for Primary and Downstream Industries (JCPDI) and the water service provider in Ras Al Khair Industrial City (RIC). In addition, the Parent Company distributes sales gas in the Light Industrial Park area of Yanbu Industrial City. The Parent Company through a consortium in Jeddah Althaniya Water Company project (45% shareholding by the Parent Company) together with Alamwal Alkhaleejiya Althaniya (35% shareholding) and Veolia Middle East (20% shareholding) is in the process of constructing and commissioning wastewater treatment facilities in Jeddah. The Parent Company may:

- own or lease related property, facilities and networks and/or install, extend, upgrade, replace or expand facilities or networks as required on its own or through others;
- also engage in any activities necessary or complementary to those objectives, including importation of materials and the likes. The Parent Company shall provide those services to all beneficiaries in the two industrial cities of Jubail and Yanbu;
- acquire interests in other companies and own, lease, install, extend, upgrade, replace or expand related properties, facilities and networks and to engage in any activities in realizing its objectives; and
- own interest or shares in other companies or merge with or buy such companies and to establish new companies alone inside or outside the Kingdom Saudi Arabia.

The Parent Company commenced its commercial operations on 1 January 2003. The Company's principal places of business are Jubail and Yanbu Industrial Cities.

On 21 September 2021, the Council of Ministers Resolution No. 111 was issued approving the tariff for heavy consumption of electricity that was applicable to establishments operating in qualified activities or sectors belonging to industrial, commercial and agricultural consumers effective 1 January 2022. As per the Council of Ministers Resolution No. 111, the shortfall in electricity revenues from implementing the subject tariff is to be compensated by adjusting electricity tariff for non-eligible industrial, commercial and agricultural consumers. On 20 December 2022, the Council of Ministers Resolution No. 361 was issued approving the amendment of the effective date to be from 1 January 2023. As of 31 March 2023, the Parent Company is working with the Regulatory Authorities for implementing the said tariff in line with the Council of Ministers Resolution No. 111.

Group structure

Subsidiaries

As at 31 March 2023 and 31 December 2022, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries) hereinafter referred to as ("the Group"):

- Marafiq Insurance Limited ("MIL"), owned 100% by the Parent Company, registered in the Island of Guernsey and is engaged in the business of captive insurance for Marafiq.

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES**
(A SAUDI JOINT STOCK COMPANY)
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023**



1. CORPORATE INFORMATION (continued)

Group structure (continued)

Subsidiaries (continued)

- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On-Sale Parties: Saudi Power Procurement Company ("Principal Buyer"), Saline Water Conversion Corporation (SWCC) and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.
- MASA Services Company for Operation and Maintenance ("MASA"), owned 100% by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

Joint operating arrangement

As at 31 March 2023 and 31 December 2022, the Group has following Joint Operating Arrangement:

- Jubail Water and Power Company ("JWAP"), owned 30% by Marafiq, is registered in the Kingdom of Saudi Arabia with the principal activity being to develop, construct, own, operate and maintain an independent water and power plant in Jubail Industrial City, Kingdom of Saudi Arabia, sell water and electricity and to engage in any business or activities related or ancillary thereto. JWAP commenced its commercial operations in 2010. The Group considers JWAP as a Joint Operating Arrangement. Consequently, the Group recognized its share in assets, liabilities, revenue from sale of output and expenses of the Joint Operation in these condensed consolidated interim financial statements.

Investment in associates

As at 31 March 2023 and 31 December 2022, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.
- Jeddah Althaniya Operation and Maintenance Company ("JAOM"), owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet.

Investment in joint venture

As at 31 March 2023 and 31 December 2022, the Group has following joint venture:

- Jeddah Althaniya Water Company ("JAWC"), owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah.

The Group's ownership percentage in the above companies is the same in all periods presented in these condensed consolidated interim financial statements.

Date of authorization of condensed consolidated interim financial statements

These condensed consolidated interim financial statements of the group for the three months period ended 31 March 2023 were approved by the Board of Directors on 13 Shawwal 1444H corresponding to 03 May 2023G.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

These condensed consolidated interim financial statements (herein referred to as the "interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("last annual financial statements"). These interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group's financial position and performance since the last annual financial statements.

2. BASIS OF ACCOUNTING (continued)

2.1 Statement of compliance (continued)

These interim financial statements have been prepared on a historical cost basis except for the cash flow hedge of investees that is carried at fair value.

These interim financial statements comprise the condensed consolidated interim financial statements of the Parent Company and its subsidiaries for the three-months period ended 31 March 2023.

2.2 Functional and presentational currency

Items included in these interim financial statements are measured using the currency of the primary economic environment in which the Company operates. These interim financial statements are presented in Saudi Riyals which is the Group's functional and presentation currency. All amounts are rounded to the nearest thousand (SR '000), except when otherwise indicated.

2.3 Basis of consolidation

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

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting right.

The Parent Company re-assesses whether or not it controls an 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. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. USE OF ESTIMATES AND JUDGEMENT

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

a) New and revised standards with no material effect on the interim financial statements

Following are the recent changes to IFRSs that are required to be adopted in annual periods beginning on 1 January 2023:

- IFRS 17 insurance contracts;
- Amendments to IFRS 17;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes;
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

The application of the revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024
- Lease liabilities in a Sale and Leaseback (Amendments to IFRS 16), effective for annual periods beginning on or after 1 January 2024.
- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date yet to be determined.

The above-mentioned standards are not expected to have a significant impact on the Group's interim financial statements.

5. OPERATING SEGMENTS

The main operating activities of the Group are divided into Power, Water, Gas and others which are complementary to each other in the production and distribution of electricity, water and gas to customers. The Group's primary revenues are currently realized from sale of power, water and gas services to final customers according to the applicable tariffs.

Based on management decision and in line with changes in management reporting and to facilitate a better decision making about resource allocation and performance assessment, the expenses in prior periods have been reallocated based on the revised allocation methodology to be in line with Water and Power Regulations. Accordingly, segmental information for prior periods was adjusted in line with the current period presentation.

Segment information:

The Group is organized into business units based on following reportable segments:

- Power, includes electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Gas, includes sales gas distribution and retail sales of gas;
- JWAP, as explained in note 1; and
- TAWREED, as explained in note 1.

Further, Corporate, includes all other activities that are not directly attributable to identifiable operating segments. This includes finance income/expense, other income/expense and share in results of equity accounted investees.

All of the Group's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

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5. OPERATING SEGMENTS (continued)

For the three months period ended 31 March 2023

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	357,338	569,351	21,425	-	525,059	-	-	1,473,173
Inter segment	50,503	133,676	-	74,955	86,444	2,145	(347,723)	-
Total revenue	407,841	703,027	21,425	74,955	611,503	2,145	(347,723)	1,473,173
Cost of revenue								
Depreciation and amortisation	(102,535)	(145,697)	(666)	(1,168)	-	-	(42,941)	(293,007)
Others	(227,501)	(426,681)	(18,254)	(36,461)	(608,998)	-	393,544	(924,351)
Total cost of revenue	(330,036)	(572,378)	(18,920)	(37,629)	(608,998)	-	350,603	(1,217,358)
Administrative and other expenses	(17,526)	(30,231)	(147)	(997)	(2,505)	(2,916)	3,227	(51,095)
Depreciation and amortisation	(1,366)	(5,827)	(1)	-	-	(1,312)	-	(8,506)
Total administrative and other expenses	(18,892)	(36,058)	(148)	(997)	(2,505)	(4,228)	3,227	(59,601)
Other income/ expense, net	(126)	635	-	966	-	67,268	(4,358)	64,385
Finance cost	(62,778)	(51,252)	-	(16,852)	-	-	82	(130,800)
Share of income in equity accounted investees	-	-	-	-	-	(6,435)	-	(6,435)
Zakat and income tax expense	(7,682)	(4,449)	-	(797)	-	(3,719)	-	(16,647)
Net profit / (loss) for the period	(11,673)	39,525	2,357	19,646	-	55,031	1,831	106,717
As at 31 March 2023								
Total assets	8,573,320	10,507,435	162,402	2,263,103	518,695	3,681,571	(1,908,314)	23,798,212
Total liabilities	3,146,707	5,758,123	24,911	1,500,233	516,759	5,073,165	(272,712)	15,747,186

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5. OPERATING SEGMENTS (continued)

For the three months period ended 31 March 2022

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	373,206	548,271	19,921	-	520,627	-	-	1,462,025
Inter segment	49,264	150,937	-	82,987	90,143	2,120	(375,451)	-
Total revenue	422,470	699,208	19,921	82,987	610,770	2,120	(375,451)	1,462,025
Cost of revenue								
Depreciation and amortisation	(96,064)	(140,744)	(852)	(556)	-	-	(42,941)	(281,157)
Others	(240,486)	(450,049)	(16,815)	(36,386)	(608,648)	-	416,947	(935,437)
Total cost of revenue	(336,550)	(590,793)	(17,667)	(36,942)	(608,648)	-	374,006	(1,216,594)
Administrative and other expenses	(18,864)	(29,077)	(116)	(872)	(2,122)	(2,845)	3,227	(50,669)
Depreciation and amortisation	(1,218)	(5,470)	(2)	-	-	(687)	-	(7,377)
Total administrative and other expenses	(20,082)	(34,547)	(118)	(872)	(2,122)	(3,532)	3,227	(58,046)
Other income/ expense, net	10	578	-	115	-	38,719	(4,301)	35,121
Finance cost	(23,818)	(18,178)	-	(17,276)	-	-	100	(59,172)
Share of income in equity accounted investees	-	-	-	-	-	542	-	542
Zakat and income tax expense	(11,457)	(3,391)	-	(2,078)	-	(4,002)	-	(20,928)
Net profit for the period	30,573	52,877	2,136	25,934	-	33,847	(2,419)	142,948
As at 31 December 2022								
Total assets	8,655,951	10,590,569	162,981	2,317,198	563,515	3,805,644	(1,869,598)	24,226,260
Total liabilities	3,163,591	5,597,293	23,759	1,552,587	561,578	5,326,896	(244,301)	15,981,403

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work – in-progress	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2022	411,511	17,795,393	3,816,909	4,735,541	3,519,893	90,369	821,294	1,603,799	32,794,709
Additions	-	49,163	6,937	2,561	20,873	-	20,761	655,720	756,015
Disposals	-	(512)	-	-	-	-	(442)	-	(954)
Transfers	-	210,834	22,482	-	12,435	-	19,102	(276,783)	(11,930)
Balance at 31 December 2022	411,511	18,054,878	3,846,328	4,738,102	3,553,201	90,369	860,715	1,982,736	33,537,840
Additions	-	52,625	-	-	-	-	17,958	76,898	147,481
Transfers	-	171,279	2,051	320,577	98,996	-	5,574	(603,625)	(5,148)
Balance at 31 March 2023	411,511	18,278,782	3,848,379	5,058,679	3,652,197	90,369	884,247	1,456,009	33,680,173
Accumulated depreciation:									
Balance at 1 January 2022	49,278	7,326,264	1,482,204	1,979,208	986,185	48,582	510,898	-	12,382,619
Depreciation	13,576	638,249	99,617	234,358	107,903	4,504	67,107	-	1,165,314
Disposals	-	(512)	-	-	-	-	(442)	-	(954)
Balance at 31 December 2022	62,854	7,964,001	1,581,821	2,213,566	1,094,088	53,086	577,563	-	13,546,979
Depreciation	3,394	160,173	24,883	62,118	31,030	1,126	15,157	-	297,881
Balance at 31 March 2023	66,248	8,124,174	1,606,704	2,275,684	1,125,118	54,212	592,720	-	13,844,860
Carrying value:									
Balance at 31 March 2023	345,263	10,154,608	2,241,675	2,782,995	2,527,079	36,157	291,527	1,456,009	19,835,313
Balance at 31 December 2022	348,657	10,090,877	2,264,507	2,524,536	2,459,113	37,283	283,152	1,982,736	19,990,861

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7. ZAKAT AND INCOME TAX

Zakat and income tax charge for the period represents the accumulated amount of the Zakat and income tax provision made by the Parent Company and its subsidiaries. The Zakat and income tax charge consists of:

	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
Zakat charge	16,452	12,548
Income tax	195	8,380
Total	16,647	20,928

a) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)

Zakat and income tax assessments have been finalised up to 2017. During 2021, Zakat, Tax and Custom Authority (ZATCA) issued a final assessment for the years ended 31 December 2015, 2016 and 2017 to Marafiq with an additional Zakat liability of approximately SR 27 million, SR 54 million and SR 19 million respectively. Marafiq filed appeals against the ZATCA's final assessments within statutory time limit. During the same year, the ZATCA issued its revised assessment rejecting Marafiq's contentions in its appeals. Marafiq filed appeals against ZATCA's revised assessments to the General Secretariat of Tax Committees (GSTC).

During 2022, Marafiq approached ZATCA's Alternate Dispute Resolution Committee (ADRC) to negotiate the additional Zakat liability imposed on the years 2015 through 2017. ADRC has reverted with an offer of SR 64.2 million to close the open assessments for the years 2015 through 2017. Marafiq has accepted ZATCA's offer and paid SR 64.2 million to settle additional Zakat liability in January 2023.

Income tax and Zakat returns for the years up to 31 December 2022 have been filed with ZATCA within statutory deadlines and ZATCA review is awaited.

Marafiq Water and Power Supply Company (TAWREED)

Zakat and income tax assessments have been finalised up to 2014. During 2021, ZATCA issued an assessment for the year 2015 and 2016 raising additional Zakat demand of SR 2.2 million. TAWREED filed an appeal against said assessments within the due date. During August 2021, ZATCA issued its revised assessment rejecting TAWREED's contention in appeal. TAWREED filed an appeal against ZATCA's revised assessments to GSTC.

During 2022, TAWREED filed an application for Zakat amnesty per Ministerial Resolution No. 13597, in order to apply the provisions of the New Zakat Regulations (NZR) issued in 2019 in their 2015 and 2016 declaration. TAWREED received preliminary acceptance from ZATCA in January 2023 and ZATCA requested TAWREED to withdraw its active case with GSTC for FY 2015 and 2016. Accordingly, TAWREED has withdrawn its case from GSTC and is currently following up with ZATCA to finalize the review of its Zakat amnesty application which would result in additional Zakat liability of approximately SR 7,000.

Income tax and Zakat return for the year ended 31 December 2022 have been submitted within the statutory deadline. ZATCA has raised certain additional queries for the years 2018 through 2021 which has been responded by TAWREED and ZATCA's review is awaited.

Jubail Water and Power Company (JWAP)

Zakat and income tax assessments have been received and settled up to year 2012 and for 2018. The assessments for the years from 2013 to 2017 and 2019 to 2022 are under review by ZATCA. Income tax and Zakat return for the year ended 31 December 2022 have been filed within statutory deadline.

MASA Services Company for Operation and Maintenance (MASA)

The Zakat and income tax assessment for the years since inception through 2022 are under review by ZATCA. Income tax and Zakat returns for the year ended 31 December 2022 have been submitted within the statutory deadline.

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8. FINANCIAL INSTRUMENTS

i. Financial assets

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
	SR '000	SR '000
Due from employee home ownership program	192,328	200,542
Trade receivables	813,552	893,017
Other receivables (note a)	262,463	284,237
Short term deposits	1,417,000	1,575,900
Cash and cash equivalents	731,194	685,694
Total financial assets not measured at fair value	<u>3,416,537</u>	<u>3,639,390</u>

a. This includes power margin receivable amounting to SR 23.11 million (31 December 2022: SR 26.18 million) and accrued revenue amounting to SR 221.34 million (31 December 2022: SR 226.65 million).

ii. Financial liabilities

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
	SR '000	SR '000
Loans and borrowings	8,595,793	8,690,184
Lease liabilities	2,947,303	2,937,034
Other non-current liabilities	1,468,357	1,460,107
Short term borrowings	51,000	-
Trade payables	601,340	687,139
Accrued expense and other payables (note a)	800,263	924,691
Total financial liabilities not measured at fair value	<u>14,464,056</u>	<u>14,699,155</u>

a. This includes due to related parties amounting to SR 145.83 million (31 December 2022: SR 164.52 million) and accrued finance cost amounting to SR 114.43 million (31 December 2022: SR 30.02 million).

iii. Fair value hierarchy for financial instruments

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Fair value		
	Level 1	Level 2	Level 3
Cash flow hedge reserve			
31 March 2023 (un-audited)	-	114,747	-
31 December 2022 (audited)	-	140,295	-

Fair value of cash flows hedge reserve represents the mark to market values of the interest rate swaps as of 31 March 2023 and 31 December 2022. Interest rate swaps are fair valued by calculating present value of the estimated future cash flows. 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.

9. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the period but not incurred is SR 823.49 million (31 December 2022: SR 952 million).

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9. COMMITMENTS AND CONTINGENCIES (continued)

Other commitments

One of the Group companies, TAWREED entered into an agreement with Saudi Aramco to purchase fuel required for the IWPP for a period of twenty years and the cost of the fuel will be reimbursed by On-Sale Parties on a monthly basis without any mark-up.

Contingent liabilities

At 31 March 2023, bank guarantees have been issued amounting to SR 504.9 million (31 December 2022: SR 504.9 million), by the Group's bankers, on behalf of the Group in the ordinary course of business.

10. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
Power	731,925	738,941
Water	710,775	694,287
Others	30,473	28,797
	1,473,173	1,462,025

11. RELATED PARTY TRANSACTIONS AND BALANCES

11.1 Significant transactions with related parties

Billings for providing power and water services to related parties in accordance with long term supply agreements are as follows:

	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
<i>Shareholders</i>		
SABIC and its subsidiaries	387,465	399,356
Royal Commission for Jubail & Yanbu	30,914	28,178
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	365,710	359,617
Saudi Electricity Company	42	366,794
Other government entities	548,660	176,079
	1,332,791	1,130,024

Other income recognized in respect of power margin during the period amounted to SR 33.03 million (31 March 2022: SR 29.04 million).

Costs include fuel oil and gas costs in accordance with long-term purchase agreements as follows:

	31 March 2023 (Un-audited) SR '000	31 March 2022 (Un-audited) SR '000
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	310,239	330,742
Saudi Electricity Company	15,334	22,455
	325,573	353,197

11.2 Balances with related parties

	31 March 2023 (Un-audited) SR '000	31 December 2022 (Audited) SR '000
Due to related parties		
<i>Shareholders</i>		
Royal Commission (11.2.1)	4,302,484	4,300,228
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	290,179	340,947
Saudi Electricity Company	21,916	12,997
	4,614,579	4,654,172

11.2.1 This includes lease obligation in respect of assets on finance lease from Royal Commission and obligation in respect of assets transferred from Royal Commission amounting to SR 2,925.4 million and SR 1,362.7 million respectively (31 December 2022: SR 2,923.8 million and SR 1,362.7 million respectively).

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11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due from related parties

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
	SR '000	SR '000
<i>Shareholders</i>		
SABIC and its subsidiaries	193,702	172,445
Royal Commission	57,909	36,881
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	156,707	207,782
Saudi Electricity Company	2,582	2,670
Other government entities	408,611	470,130
	819,511	889,908

11.3 Transactions with key management personnel

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of directors and other members of key management personnel during the period was as follows:

	31 March 2023 (Un-audited)	31 March 2022 (Un-audited)
	SR '000	SR '000
Short-term employee benefits	11,821	9,373
Post-employment defined benefit plan	829	814
Total compensation to key management personnel	12,650	10,187

11.4 Transfer pricing

On 15 February 2019, Transfer Pricing By-Laws ("TP By-Laws") were enacted as part of tax law and became binding on taxpayers for periods ending on or after 31 December 2018. TP By-Laws require additional disclosure form of controlled transactions along with annual tax returns to be submitted to ZATCA, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. The Company has submitted disclosure forms and affidavits for the year ended 31 December 2022 within the statutory time limit.

12. SHORT TERM DEPOSITS

Short term deposits represent deposits placed with commercial banks for varying periods of between three to twelve months and earn finance income at market rates of interest.

13. BANK LOANS AND BORROWINGS

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
	SR '000	SR '000
<i>MARAFIQ</i>		
Fourth Murabaha	1,500,000	1,500,000
Fifth Murabaha	1,500,000	1,500,000
Sixth Murabaha	3,400,000	3,400,000
SIDF (a related party)	787,000	787,000
	7,187,000	7,187,000
Less: Unamortised transaction costs	(61,699)	(66,137)
	7,125,301	7,120,863
<i>JWAP</i>		
Long term loans	1,408,793	1,503,184
Less: Unamortised transaction costs	(14,110)	(14,944)
Total	1,394,683	1,488,240
	8,519,984	8,609,103

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13. BANK LOANS AND BORROWINGS (continued)

Bank loans and borrowings are presented in these interim financial statements as follows:

	31 March 2023 (Un-audited) SR '000	31 December 2022 (Audited) SR '000
Current maturity under current liabilities	422,175	410,888
Non-current maturity under non-current liabilities	8,097,809	8,198,215
	8,519,984	8,609,103

14. OTHER NON-CURRENT LIABILITIES

	31 March 2023 (Un-audited)	31 December 2022 (Audited)
Obligation for assets transferred (note 11.2.1)	1,362,717	1,362,717
Obligation for post-employment defined benefits	701,191	690,844
Deferred income	597,703	611,175
Retention payable	36,926	32,265
Employees' savings plan	59,916	56,877
Others	8,798	8,248
	2,767,251	2,762,126

15. DIVIDENDS

During the three-month period ended 31 March 2023, the board of directors of the Parent Company in their meeting held on 1 March 2023 announced to distribute cash dividends for second half of 2022 amounting to SR 275 million (SR 1.10 per share), which was paid on 23 March 2023.

16. COMPARATIVE FIGURES

The comparative figures for the period ended on 31 March 2022 have been reclassified to conform with the current period presentation of the condensed consolidated income statement whereby expenses amounting to SR 23.95 million were reclassified from cost of revenue to administrative expenses. The reclassifications do not have any impact on opening balance of comparative information, retained earnings or total comprehensive income.

17. SUBSEQUENT EVENTS

No adjusting event occurred between 31 March 2023 and the date of approval of the interim financial statements by the Board of Directors which may have an impact on these interim financial statements.

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