

Annual Report 2019

رؤية
2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

www.se.com.sa

[f](#) [t](#) [v](#) /ALKAHRABA [@](#) [s](#) /SEC_ALKAHRABA

 الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You



Diligently Serving You



Contents

08	Message of His Excellency the Chairman
10	Message of His Excellency the Chief Executive Officer
20	Electric Power Generation
26	National Grid SA
32	Integrated Dawiyat Company
38	Distribution and Customer Services
42	Saudi Power Procurement Company
46	Saudi Electricity Company for Projects Development
50	Strategic Planning and Business Development
54	Human Resources
60	Shareholders
64	Maintaining Safety & Preserving the Environment
72	Corporate Social Responsibility
76	Supply and Contract Services
80	Financial Results Summary
102	Consolidated Financial Statements

The Custodian of the Two Holy Mosques King /

Salman bin Abdulaziz Al-Saud

May Allah Protect Him

His Royal Highness Prince /

Mohammad bin Salman bin Abdulaziz Al-Saud

Crown Prince, Deputy Prime Minister and Minister of Defense

May Allah Protect Him



Board of Directors

Saudi Electricity Company



**H.E.Dr. Khaled bin Saleh
Al Sultan**
Chairman of the Board



**Dr. Najm bin Abdullah
Al-Zaid**
Vice Chairman of
the Board



**Eng. Abdulaziz bin Fahd
Al-Khayyal**
Member of the Board



**Dr. Abdulmalik bin
Abdullah Al-Hogail**
Member of the Board



**Mr. Rashed bin Ibrahim
Sharif**
Member of the Board



**Dr. Raed bin Nasser
Al-Rayes**
Member of the Board



Eng. Gerard Mestrallet
Member of the Board



**Eng. Isam bin Alwan
Al-Bayat**
Member of the Board



**Eng. AbdulKarim bin Ali
Al-Ghamdi**
Member of the Board





Message of His Excellency the Chairman

Every time we have the pleasure of pondering one of the Saudi Electricity Company's annual reports, we feel at once overjoyed and proud.

And we ought to be impressed. The story the numbers tell is a brilliant one about unrelenting growth, nationwide megaprojects, and a professional, talented workforce that's the envy of the world.

And the report for the year 2019 is no different. The year's hallmark was a paradigm shift in how the company does business. The company's digital transformation, manifested in gargantuan projects and world-class services built for and around the customer, powered on dauntlessly as the company trained its sights on the ultimate goal: to live up to the expectations of Vision 2030.

It's no secret that the Government of the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz and Crown Prince Mohammad Bin Salman has been giving prime attention to the national electrical power industry, with the aim being to bolster and strengthen the industry and see it through every possible challenge. The result in 2019 was a bevy of bold initiatives, pointed decisions, and massive projects that live up to the guidance and vision of our leadership's policies and plans that will make the Kingdom's economy one of the world's greatest. A dream combination of accumulated national talent and expertise and cutting-edge technology – a lot of it home-grown – promises to turn the Kingdom into a regional hub for electrical industries, on par with the world's biggest, most advanced producers and exporters, in both in performance and product.

At the forefront of all the success is a board of directors that rose to the challenge of driving the company into a future – growing, transforming, and reinventing it into a true powerhouse of performance and talent that electrifies the new realities and requirements of sustained economic and population growth and construction that Vision 2030 prescribes, with all the accompanying surge in demand for electricity and the modern technology that supports it.

Another accomplishment that will forever etch 2019 in the annals of SEC greatness was the transformation of the company's customer-facing services. Plenty of programs and services in every one of the company's business lines are now fully automated, a feat made possible thanks to the years-long effort to recruit and domesticize talent and smart grid

technology. After having automated its entire power grid, the company is now working on building a centralized national command center that will control the company's distribution grids nationwide, along with eight other regional control centers around the Kingdom's major cities. Close to 100,000 automated medium-voltage switches have been installed so far, and the company aims to take automated switching nationwide by 2025, which will cut power losses, mitigate outages, and build efficiency into grid maintenance and operations across all business lines.

But the one endeavor that crowned an already great year was the Smart Metering Project. With the tenders having been awarded just before the year was out, the company is in a veritable race against the clock to have a whopping 10 million smart electrical power meters installed for all of its customers, no matter where in the Kingdom they happen to be, by March 2021. The project is being deployed in coordination with the Ministry of Energy; the Integration System of the Electric Power Sector; the Electricity and Cogeneration Regulatory Authority; the Ministry of Communications and Information Technology; the Saudi Standards, Metrology and Quality Organization; the Communications and Information Technology Commission; and the Local Content and Government Procurement Authority.

This colossus of a project is set to be instrumental in boosting reliability, the automation of billing, and the integration of customer data. After having been a costly, labor-intensive, time-consuming process for so long, reconnecting power to customers is now automated. The system streamlines the relationship between the company and its customers and brings plenty of features incorporated into the design and software of their smart meters right to their fingertips.

As of the end of 2019, there were 9.758 million customers in all sectors, 370,773 of which were new ones. By 2021, the number of customers is expected to cross the 11 million mark, posing an ever-growing challenge that the company is sure to step up to yet again.

As always, the company has been an enthusiastic supporter for greater local content in its supply mix, giving national manufacturers and contractors the advantage over foreign ones.

The company has come a long way in transitioning its outlets to electronic, online services, with the remaining ones coming along in quick succession. The SEC bureau in Riyadh is currently trying out the smart office concept.

The Barq service cuts down the lead time to get electric power to a mere seven days, compared to the 50 days or more it used to take in 2015.

The ALKAHRABA app has been built up into a full-fledged suite of services, and the call centers have been staffed with well trained, highly qualified people with full technical support.

You will be enthused to read all about the details of the many other megaprojects in this report on financial year 2019. With 54 transformer stations and 26 complementary and supplementary power plants built in 2019, the company upped its actual power output and boosted its potential capacity by 396 additional megawatts while saving more than SAR324 million. The company bolstered its transmission grid with additional overhead and underground cabling and extended its fiber optics network to 488 households and five industrial districts in 22 cities.

And all of this writes an even greater story: the one of our staff and how every one of them worked hard throughout the year to get the company to not only meet, but exceed the ambitious, lofty bar it had set for itself and power away towards new horizons, year in and year out. The projects that the company had accomplished throughout the year would not have been possible without the tremendous efforts of the talented, hard-working Saudis who run this company and have proven to be its lifeblood. They leaned in and gave it their all, and came up with laudable work, innovative ideas, and quality initiatives that put the company in its rightful place as a leading provider of electric power. The attention, backing and support from His Royal Highness Prince Abdulaziz Bin Salman, the Minister of Energy, for these achievements and projects have been limitless.

Finally, as we joyously ponder the details of the successes the company's staff had hammered out in 2019, and on behalf of the members of the board, management, and each member of the staff as well as on my own, I present our sincerest thanks, praise and gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz and Crown Prince Mohammad Bin Salman for their Government's unending support that has been vital for our success in making these achievements, and our thanks and gratitude to His Royal Highness Prince Abdulaziz Bin Salman for the great support and attention he extends to the company. It may still be too early to anticipate future growth and gauge the results of all these accomplishments and transformations, but one thing is for sure: the board will always remain committed to the growth of the generation, transmission, and distribution business lines, along with the accompanying growth in technology, cybersecurity and human resources – all for the satisfaction of the customers, who expect nothing short of electricity service of world-class quality that's also safe, reliable, and environmentally friendly.

We pray to God for more achievement and success for the electric power industry in powering the Kingdom's growth and development. We hope to achieve even more in the coming years to overcome more challenges and exceed our own aspirations.

Dr. Khaled bin Saleh Al-Sultan
Chairman of the Board of Directors



Message of His Excellency the Chief Executive Officer

If I were to be asked to describe 2019 with a superlative, I would be spoiled for choice. Brilliant would be one way to describe it. Exceptional would be another.

But whichever way we might choose to label 2019, there is no denying that it was a banner year for the Saudi Electricity Company, and in more ways than we could possibly count.

With the guiding light of the Government of the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz and Crown Prince Mohammad Bin Salman showing us the way forward, and with the attention and support of His Royal Highness Prince Abdulaziz Bin Salman, the Minister of Energy, the company's board of directors, management and staff made great strides in bringing about the transformation of every one of its business lines, services, and subsidiaries into the realm of the digital age, all in the spirit of the Kingdom's Vision 2030.

On top of having seen the completion of some earlier successes and the continuation of ongoing progress, 2019 was a year of paradigm shifts: along with bringing in and domesticizing cutting-edge technologies, and fully digitizing and automating our distribution grids, our strategic plan includes building a centralized command center that will control the company's entire grid nationwide. There will be eight other control centers around major cities that will run the nearly 100,000 medium-voltage automated switches that we had just installed, with many more to be put in place all over the Kingdom by 2025, keeping power losses to a minimum, curtailing the chances of blackouts, simplifying maintenance across the grid, and boosting overall efficiency.

By the end of 2019, we had 9.758 million residential, commercial, industrial, agricultural and government customers. Of these, 370,773 were new customers. By 2021, we anticipate having 11 million customers, all served by state-of-the-art smart systems. The company has been vigorously switching its outlets over to all-digital services, with the rest to catch up very soon. Our Riyadh bureau is working on a smart office project as well.

Also in 2019, we launched our Barq service, which cuts the time between applying for power and getting it to just seven days – a far cry from the 50 days or more it used to take as recently

as 2015. Our ALKAHRABA mobile app now puts a full suite of features and services right at the fingertips of the customer with an easy-to-use interface, and our call centers offer all the services our customers could possibly need.

All these changes, improvements and overhauls fall under the company's smart digital transformation for better services, reliable power, and precise billing.

Just before the end of 2019, the company kicked off its Smart Metering Project, which will see the installation of 10 million smart meters for all our customers by the end of March next year. In line with the Kingdom's National Transformation Program 2020 and Vision 2030, the project is a quantum leap in digitization, service reliability, accurate billing, and cybersecurity for the grid. It is an integral part of the company's policy of maximizing local content and encouraging home-grown electrical support industries.

Our Bena program gives precedence and a pricing advantage to local suppliers and contractors over foreign ones. So far, 595 manufacturers have been registered as accredited suppliers through the program.

Financially, 2019 saw the company's assets rise to SAR479.8 billion, increasing by SAR15.3 billion over the previous year. The company successfully maintained its top-notch credit ratings by rating agencies Standard & Poor's (A-), Fitch (A-), and Moody's (A2), and remains one of the best-rated companies in the Kingdom.

Throughout the year, the company was able to raise the aggregate power produced across its plants by 12.7% more than had been planned for the year. Our fuel replacement project, thanks to which our generation units now run on crude rather than diesel fuel, brought a savings of SAR324 million for the year. Our power plants produced 54 percent of the total energy that had been produced in the Kingdom in 2019, and we added as much as 396 megawatts of new capacity, an increase of 0.8 percent over the beginning of the year.

Also, we installed 54 new transformer stations with 199 new transformers that can handle 24 gigavolt amperes in 2019. We also built 24 new complementary and supplementary plants with 39 transformers and a net power output of 7.554 gigavolt amperes. We have added more than 2,600 circular kilometers to our transmission grids, with 1,305 circular kms of overhead and underground cabling added to the existing grids, 1.56 percent more than what we had by the end of 2018. We have also added 1,106 circular kms of high-voltage cabling.

Our fiber optic network had been bolstered with a whopping 4,286kms of cabling to serve more than 488,000 households and five industrial districts in 22 cities, with the network now totaling more than 100,000km.

Research was our favorite buzzword in 2019. On top of supporting research projects in collaboration with global science houses, our power plants achieved a 96-percent grade in proactive safety indicators and 91 percent in workplace health and safety indicators. Those were in addition to having gained 11 ISO certifications and nine environmental certificates by the Presidency of Meteorology and Environment, bringing our environmentally certified locations up to 29.

The company's subsidiaries saw their projects come along in leaps and bounds in 2019, all of which are detailed in this annual report.

This quick overview cannot possibly go over all the enormous efforts and megaprojects detailed throughout these pages. I and every member of the board and the executive management team were honored and proud to have seen for ourselves the sheer levels of skill, ambition, and devotion with which our talented national manpower were able to achieve all this. Mere words come up short in describing the gratitude we feel towards them for what they have given to this national monument of a company.

With that being said, we still have a long way to go to make our aspirations, as well as the ambitions of our leaders, a reality. We have got plenty to look forward to just beyond the horizon. The sky is the limit as to our ambition, aspirations, and our will to succeed. Our resolve is as mighty as mountains, and our drive is as big as this country we are proud to call home.

We keep on working hard to bring the objectives and aspirations of the board to fruition. With joint efforts between management and staff, we can make the most out of the resources and talent available to us and achieve the kind of performance and accomplishment that will be the envy of the world, offering reliable, safe power to our customers and driving sustained development and exceptional economic growth being seen in the Kingdom.

Fahad bin Hussein Al-Sudairi
Chief Executive Officer



Vision

We serve our customers and country by
delivering world-class power services



Mission

**We power the Kingdom
that energizes the world**

Core Values





Development

Progressive Duty

We are forward-looking, public and leading



Excellence

Active Excellence

We are focused, detailed and agile



Interest

Human Focus

We are empathetic, caring and supportive

Electric Power Generation

Provide electricity and generating capabilities
using high production techniques



Electric Power Generation

Electric power generation is considered the company's principal activity. Its mission is to provide electricity and enough generating capacity using highly reliable and high-readiness production techniques to meet the growing demand for electricity. The company achieves this with an optimum use of resources and investing all capabilities towards reaching its main purpose, i.e., decreasing the cost of electrical power production. The transmitted power produced from the company's generation stations is regarded as the main source of electrical power in the Kingdom of Saudi Arabia with a participation rate of 54% of the total electrical power in 2019.

The Generation activity's plans focus on the operation and maintenance of the power plants, and reinforcing their capacities and reliabilities to meet the growing demand for electrical power. In this respect, in 2019, the generation activity accomplished many notable achievements, summarized as follows:

- Total energy produced from power stations increased by 12.7% of the energy planned for production during the year.
- Projects to convert the operation of units from diesel to crude oil achieved net savings of about SR 324 million in 2019, which represent the difference between the crude oil and diesel price of the consumed quantities during the year for all converted units since the beginning of the project.
- New capacities estimated at 396 MW were added and with a growth of 0.8% of the total available capacities at the beginning of 2019, as follows:

Two gas generation units (for future combined-cycle) at Waad Al-Shamal Power Plant in the Eastern sector, with a total added capacity of 396 MW.



96%

In proactive safety indicators



Energy produced from power plants

54%

of the total energy produced



Saving

324

Million SR



91.18%

In the Occupational Safety and Health Management System



396

Megawatts new capabilities



11

ISO certifications



Occupational Safety, Health and Environmental Protection Policy

The generation activity is continuously evolving and remains committed in complying with the outstanding practices in the application of Occupational Safety, Health and Environmental policies for a safe environment by fulfilling the requirements of safety and occupational health.





The Generation Activity's Safety Achievements in 2019

By the grace of Allah, the company achieved in 2019 outstanding accomplishments in the field of occupational health and environmental protection as follows:

- Achieving the 5-STAR ranking as the generation activity reached 91.18% in the 5-STAR occupational safety and health management system audit.
- Improvement in the application of the 5-STAR occupational safety and health management system elements, with an increase of 5.18% over 2018.
- Achieving proactive safety indicators of 96% for 2019, compared to 94% for 2018.
- No recorded deaths or serious disabling occupational injuries, and the company achieved high-risk safety compliance in all power stations.
- Training and qualification of (60) safety coordinator in the ISO45001 specialized training course.
- Training and qualification of (60) safety coordinator in the NEBOSH-IGC specialized training course.
- Implementing more than 70 emergency evacuation simulations at the company's power stations.
- In 2019, the company received nine environmental certificates from the General Authority of Meteorology and Environmental Protection, bringing the number of environmentally certified sites to 29.
- The company has obtained 11 ISO certifications in various standards including the International Environmental Management Standards (ISO 14001), and the International Quality Management Standards (ISO 9001), and the International Compliance Management Standards (ISO 19600). This achievement included also offering free training to more than 100 employees on the awareness programs for these standards and approved (50) employees as certified auditors.
- Clean energy meetings continued for the third year in a row by holding the 3rd Clean Energy and Promising Opportunities Forum 2019 under the patronage of H.H. Prince of the Abha Region, where an announcement was made about the launching of the Clean Energy Award of the Saudi Electricity Company to enhance the leading role of the Saudi Electricity Company in environmental protection and sustainable development.
- Localization of the fuel additives industry where agreements were signed and all technical requirements were completed. Efforts are now being made to complete the localization procedures by the employees of the localization department to create the first fuel additives factories in the Kingdom.

The National Grid SA

Ensure a reliable and stable transfer of
electrical power throughout the Kingdom



The National Grid SA

The National Grid SA is a wholly-owned limited liability subsidiary of the Saudi Electricity Company.

Tasks of the National Grid SA

It is responsible for operating the electrical system and following up loads around the clock while raising the efficiency of the electrical system through the economic operation of all power plants connected to the electrical grid, and maintaining the electrical network to ensure a reliable and stable transfer of electrical power to load centers throughout the Kingdom. The responsibilities of the National Grid SA also include the strengthening of the electrical network with transmission substations and high voltage cable networks 110/132 KV, as well as enhancing the capacity of the telecommunications network through multiple stages including planning, designing, implementing projects, and ensuring the development of programs and operations in different sectors.

The National Grid SA's organizational structure includes five main activities: operations and control, maintenance, planning, engineering, technical services, in addition to two central departments. The company's mission is to operate the power generating stations economically and to transmit highly reliable electrical power from its production sites to consumption centers, study and issue the expected loads, develop plans that will enhance the electrical network to meet the expected demand for the coming years, in addition to serving major customers and determine their needs and the best way to supply them with electricity. The company also strives to create a suitable and stimulating environment for its staff with the aim of developing their expertise to achieve excellence in operational planning.

The Company's main activities and achievements:

During 2018, the company launched the Strategic Transformation Program (Itqan) to complement the company's main strategy since its inception, which includes three strategic projects: the grid company's governance model project, the investment model project, and the asset management expansion project, in addition to a study aimed at monitoring the challenges and, in general, the potential variables in the electricity and energy industry in the Kingdom to create a suitable platform that will raise the readiness to face these variables, and the challenges associated with them.

The plans and objectives of the company are dedicated to promoting the electricity supplies by reducing costs, and completing the national electrical network. Based on these plans, throughout 2019, the company completed several new projects, as well as enhanced ongoing projects aimed at improving and developing the transmission networks, as well as increasing their efficiency.

Transmission Networks

Added overhead networks and underground cables to the existing networks, measuring about (1,305) km-circular, which represents 1.56% of the existing networks at the end of 2018, as follows:

- At the ultra-high voltage level 230-380 kV: added (199) km-circular, including (66) km-circular of underground cables and (132) km-circular of overhead networks.
- At the high voltage level 110-132 kV: added (1,106) km-circular, including (356) km-circular of underground cables, and (750) km-circular of overhead networks.

Transmission Substations

- Established (54) new transmission substations with (199) new transformers and a total capacity of (24,000) MVA.
- Enhanced and completed (26) substations by adding (39) transformers with a net capacity of (7,554) MVA.

Fiber Optic Network

The National Grid SA owns the latest communications modes to transmit information at very high speeds through light signals passing through a bundle of fiber optic cables drawn out with the electrical transmission lines throughout the electrical transmission network in order to connect the generation plants and transmission stations to each other. Monitoring and controlling these plants and stations with high reliability and speed through regional and national control centres, with the necessary readings transmitted and followed directly through them, is one of the most important elements of smart networks because of their characteristics that are in line with modern technologies. Starting in 2009, planning on the project to expand and strengthen the electricity transmission networks to reach their current position started by strengthening the transmission network with a network of fiber optics connecting all regions of the Kingdom, while enhancing the internal network in each region separately and thus obtaining a strong infrastructure that supports the company's operational and investment directions. In 2019, the longest fiber optic network measuring (4,286) km was added, bringing the total length of the fiber optic network to over (76,000) km, placing the company among the largest fiber optic networks in the region.



Transmission Networks

New overhead networks
and underground cables

1,305
km-circular

Total Transmission Networks

84,787
km-circular



Transmission Substations

54

New Transmission
Substations

26

Substations
(enhancement & completion)

Total Transmission Substations

1,124
Transmission Substations



Fiber Optic Network

New Fiber Optic Network

4,286
km

Total Fiber Optic Network Lengths

76,000
km

The Scientific Council of the National Grid SA

The Council made many effective contributions to the National Grid SA in 2019, the most prominent of which were:

- Supporting and monitoring (7) joint research projects with the Electric Power Research Institute (EPRI) for 2019, where the Council formed teams from within the company to manage these projects and to provide all means of support. These projects, through the development of procedures and technical specifications, contributed to financial savings in operational costs.
- Managing (3) joint research projects with local universities as follows:



Utilizing of Phasor Measurement Units in Central & Western Regions 380 kV Tie Line Project with King Fahd University of Petroleum and Minerals.



Investigation of Voltage Rise in Central Region Network Project with King Abdulaziz University.



Load Forecasting Model Project with King Abdulaziz City for Science and Technology.

- Strengthening the partnership with many local universities by visiting their research centers and exploring their own research capabilities and capacities, with the aim of exploring ways of increasing research cooperation.
- The Council, in collaboration with the Department of Research and Development, visited the Real-Time Digital Simulation Laboratory (RTDS) at the Research and Development Center in Dhahran Techno Valley, with the participation of the directors of the activities concerned and a number of specialists, in order to see the equipment and services provided by the Center. The most prominent results of this visit were the preparation of an integrated action plan to activate the Laboratory.
- Raising the quality of the scientific contributions and papers of the National Grid SA submitted to local and international conferences by reviewing and evaluating the scientific papers submitted by the company's employees.

Scientific Participations

In the context of increasing the visibility of the National Grid SA in local and international forums, the company has participated and presented numerous scientific papers during 2019, where the total number of papers submitted to conferences and to internal and external meetings reached (28) scientific papers.

Electric Power Research Institute (EPRI)

- The Electric Power Research Institute (EPRI) chose the National Grid SA to join the membership of the Transmission Sector Council, which is considered one of the main pillars in the design of the Institute's plans and directions in the field of electric power.
- Holding the 2019 Research & Emerging Technologies Forum in Riyadh, in the presence of representatives from the Electric Power Research Institute (EPRI) and representatives from the Center of Excellence in Energy Efficiency (CEEE) at King Fahd University of Petroleum & Minerals, in addition to the presence of a number of graduate studies' students at King Saud University. The forum aims to showcase the most important modern technologies in the field of energy transfer and discussing the outcomes of joint research projects with EPRI.

Training and Development

The training and development programs of the National Grid SA contributed to raising the technical and administrative level of the company's employees, where the ratio of training days to working days reached (3.06%) in 2019, including attendance at conferences, workshops, factory training programs and other training events. The number of conferences the company participated in reached (39) conferences, attended by (169) participants. The company also participated in (14) workshops, attended by (63) employees, and in (24) factory training programs (training on project contracts), in which (57) candidates participated.

It should be noted that the National Grid SA has joined the membership of the Arab Operations and Maintenance Council (OMAINTC) under the category of supporting associations and organizations.

The National Grid SA completed also a project for building the technical competencies of all its (5,143) employees, in three stages that spread over three consecutive years, which will help identify the necessary development tools necessary for increasing the capabilities and skills of the company's engineers and technicians. The Research and Development activity has provided its full support to the Curriculum Development Service and Merits activity, and identified the mechanism for collecting all the project's necessary data which are in line with its objectives.

During 2019, the Tahseen program has also contributed to improving and developing the National Grid SA's current procedures, where (58) studies were adopted with an (8%) increase from last year. By the end of the year, all studies had been closed and recommendations of (54) studies had been adopted.

It should be noted that, by the grace of Allah, the implementation of the Challenge program has been completed, where (24) participants have graduated from the third and fourth groups of the program during 2019.



39

Conferences attended by
(169) participants



5,143

The number of employees of the
National Grid SA



14

Workshops attended by
(63) employees



28

Scientific papers presented at
conferences and forums



24

Factory training programs
in which (57) candidates
participated



Ratio of training days to
working days

3.06%

Integrated Dawiyat Company

A limited liability company wholly-owned
by the Saudi Electricity Company



Integrated Dawiyat Company for Telecommunications & Information Technology

It is a Telecommunications & Information Technology company wholly-owned by the Saudi Electricity Company. It was founded with the aim of achieving optimal investment in the company's resources in the field of company-owned fiber optic systems covering more than (100) thousand kilometers throughout the Kingdom including villages, hamlets, and borders and to use them to provide integrated telecom services and improve the quality and speed of the Internet in the Kingdom, in an effort to achieve the Kingdom's vision 2030 which included many initiatives in this aspect, most notably the initiative of broadband deployment with Fiber-To-The Home (FTTH) technology.

Tasks of Integrated Dawiyat Company

Recognizing the opportunities and challenges facing Integrated Dawiyat Company for Telecommunications & Information Technology and to achieve the company's objectives and optimal investment which will subsequently lead to the increase of shareholders' profitability, an agreement was signed in 2017 with the Ministry of

Communications and Information Technology for the deployment of broadband optical fiber in urban areas, and Dawiyat was consigned to connect the fiber optics to 744,500 households from that initiative and with government subsidy estimated at SR 2.08 billion. On the basis of this agreement, the Communications and Information Technology Commission granted the company a license to provide infrastructure wholesale services, which entitles Integrated Dawiyat Company for Telecommunications & Information Technology to provide wholesale services for telecommunications infrastructure within the following services:

- Towers and masts
- Small cells, distributed antenna systems, internal solutions, and wireless access points
- Dark fibers and culverts, including the provision of interconnection services for tower sites or active fixed access services
- Wholesale services for active fixed data links, including active fixed access services

In partnership with telecommunications companies (service providers), Integrated Dawiyat Company plans to open channels of communication and understanding with several ministries and telecommunications companies to provide telecommunications services, and reciprocal marketing services for businesses and individuals. To achieve this, the following work has been completed:

Government Subsidy through the Broadband Deployment Initiative:



Receipt of government subsidy amounting to SR (480) million from the value of the Broadband Deployment Initiative agreement.



Connecting more than (488.2) thousand household with FTTH within the broadband fiber optics project. In 2019, a total of 218,029 thousand household in 22 cities of the Kingdom have been connected.



Issuing of purchase orders to connect the FTTH network to 596,227 households with due government subsidy totalling SR 1,659,666,030 from the beginning of the project until the end of 2019. Receipt of achievement certificates with government subsidy of SR 598,933,062 since the beginning of the project until the end of 2019.



Signing of agreements to sell the FTTH delivery service to (475) thousand households with both Zain and the Integrated Telecommunications Company, and (255) thousands of these were handed over to Zain Saudi Arabia and returned a revenue of SR (60) million.

The Fiber-To-The-Home network covered multiple districts in 22 cities as follows:

- Central Sector: 9 cities – Riyadh, Al-Majma'ah, Al-Zulfi, Al-Duwadimi, Al-Kharj, Burayda, Al-Bakiriya, Unayzah, Hail.
- Western Sector: 5 cities – Mecca, Medina, Jeddah, Ta'if, Yanbu.
- Eastern Sector: 8 cities – Dammam, Al-Khobar, Al-Qatif, Al-Ahsa, Al-Khafji, Hafr Al-Batin, Al-Jawf and Sakaka

An agreement was signed between Integrated Dawiyat Company and the Ministry of Communications and Information Technology to cover five priority industrial cities with telecommunications services and digital infrastructure, within the framework of the Broadband Deployment Initiative agreement which include building communications infrastructure for all the developed areas and the delivery of fiber optics to all factories. The project has been completed and has entered commercial operation and marketing through the telecommunications companies (service providers), and has received SR (480) million in government subsidy for the deployment of the fiber optic network to the following industrial cities:

- Sudair Industrial City
- Al-Kharj Industrial City
- Jeddah Industrial City II
- Jeddah Industrial City III
- Dammam Industrial City III

The Communications and Information Technology Commission has been accredited the reference offer of Integrated Dawiyat Company for Telecommunications and Information Technology services and was subsequently published on the company's website as an official reference document.

Rental of fiber optic capacities to Zain, Mobily and Atheeb companies and connecting them to more affiliate sites as follows:

- Signing a contract with Zain Company to sell dark fibers to link the cities of Jeddah and Abha for the amount of SR (32) million and for 15 years. The route has been completed and handed over to Zain Company and entered into service.
- Signing a contract with Mobily Co. to sell dark fibers to link the cities of Jazan and Abha for the amount of SR (14) million and for 10 years. The route has been completed and handed over to Mobily Company and entered into service.
- Renew and upgrade Atheeb's telecom circuit between Jeddah and Mecca.

Growing concluded agreements with telecommunications companies to sell them high connection capacities for data transport; for example, Atheeb Telecom, which provides services to its own business sector, by purchasing the company's infrastructure capacities and Dense Wavelength Division Multiplexing (DWDM) circuit connectivity services and providing them to its customers in the Kingdom, where 7 DWDM circuits with a total capacity of up to 30 GB and with contractual periods of up to 5 years were connected and provided, praise Allah. A group of Atheeb's customers, including banks and the Saudi Arabian Monetary Authority and other companies, have also been linked with high connection capacities for an annual amount of SR 10 million, confirming time after time the reliability of the Integrated Dawiyat Telecommunications networks and their ability to provide the highest levels of service in the Kingdom.

A memorandum of understanding was signed with Saudi Aramco regarding King Salman Energy Park (SPARK) to examine the opportunities for technical and commercial cooperation between the two parties and to find the proper business model to establish infrastructure for communications, IT and smart networks of fiber optics and telecommunications towers and the inner-city Internet in an open, neutral network style, enabling on an equal footing telecommunications companies (service providers) to develop and deliver final services to various industry sectors and individuals, using broadband services for telecommunications, connectivity and high Internet speeds.

Launching the call center and customer service of Integrated Dawiyat Company by taking advantage of the Saudi Electricity company's investments in information technology systems and in infrastructure and modern technologies, in addition to the young Saudi competencies in the company.

Activating the memorandum of understanding signed with the Saudi Authority for Industrial Cities and Technology Zones (MODON) under which the establishment of fibre optic networks is studied in all industrial cities which form a part of (MODON). For this purpose, Integrated Dawiyat has provided several technical studies on how to develop infrastructure within industrial cities and how to take advantage of the company's capabilities and expertise to achieve the optimum operational efficiency of its business in an open, neutral network style.

Signing a partnership contract (Global Data Center)

- A partnership contract was signed on February 17, 2018, with Gulf Data Hub, a UAE company specializing in data center services, to establish a level 3 global data center with neutral communication, at King Abdullah University of Science and Technology, and to build and dedicate 8,000 square meters to host telecom and information technology equipment with a capacity of more than 22 MW.
- Based on the partnership contract, the Global Data Center Company was established with headquarters in Jeddah, where Dawiyat owns a 50% stake and the Commercial Register was issued on September 11, 2018.
- The Center is expected to start operating in the first quarter of 2020, Allah's willing.

One of the objectives and strategies of Integrated Dawiyat Company is to highlight its infrastructure capabilities and know-how in the telecommunications and information technology sector. As such, the Future Factory Conference 2019 (organized by the Saudi Authority for Industrial Cities), and the Saudi Arabia Smart Grid Conference 2019, and ArabNet 2019 Conference were selected to present Integrated Dawiyat as the first neutral wholesale services provider of infrastructure and communications services and the facilitator for the telecommunication companies (service providers) to offer its services to the end user (public and private sectors or individuals), in addition to its positive contribution to the broadband deployment project of the Ministry of Communications and Information Technology, and the National Transformation Program 2020, and to explain how to obtain Internet services from service providers.

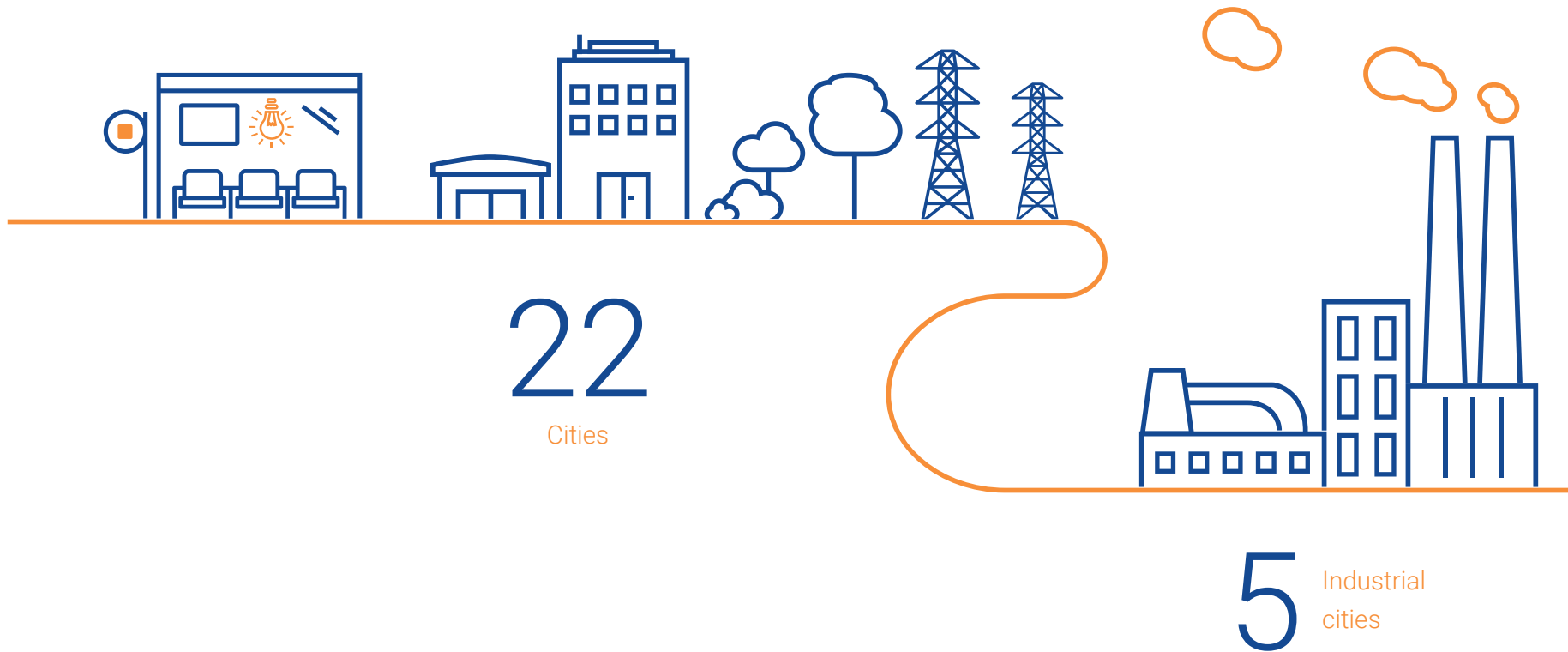
Connect

488,200

Households with fiber optics

100,000

Kilometers of fiber optics



Distribution & Customer Services

371 Thousand New Customers



النجاح هو عبارة عن مجموعة
الخطوات التي نقوم بها يوميا

النجاح هو عبارة عن مجموعة
الخطوات التي نقوم بها يوميا



Distribution and Customer Services

It is a main activity of the company, tasked with receiving and distributing energy from transmission networks and providing customers with reliable electrical service, while improving the level of services provided to them. The activity generates and distributes electricity consumption invoices to customers and carries out its annual plans and programs to provide high quality services through the use of the latest technology and facilitating access to the service.

The plans of the activity include a number of pillars, objectives and performance standards, including: raising the rates of delivery of electricity services to new customers in cities, villages and communities, and continuous improvement of distribution networks to ensure their performance is at the desired level, raising energy efficiency and facilitating the procedures of delivery and simplification of electricity services, developing customer service centers, applying the latest technologies, developing employees' skills in calculating customer consumption and reading of invoices, and continuous attention to raising the efficiency and performance of frontline employees.

Servicing the Two Holy Mosques and Sites

One of the highest priorities of the Distribution and Customer Services activity each year is to provide the Two Holy Mosques and Holy Places with electric power. The preparations and planning for the next season begin immediately after the completion of the Hajj plan for the current season, which further boost the performance of the

Distribution activity for these seasons to constantly evolve and improve steadily, as manifested by the amount of responsibility carried by all employees of this activity. The successful implementation of the company's plan for the Hajj season 1440 H, despite the bad weather that accompanied it, and the decrease in the reports' numbers from previous years, was one of the greatest achievements that everyone at the Distribution activity is proud of.

In addition, receiving recognition from his Highness, the Deputy Governor of Mecca region, for the efforts made by the company and all its employees to provide the guests of the Holy Sites with great services at the end of the Holy month of Ramadan for the year 1440 H, which coincided with the convening of the three Islamic, Arab, and Gulf summits, came out as the culmination of these remarkable efforts to service the holy sites.

Customer Services

The Distribution and Customer Services activity continues to work diligently toward achieving customer satisfaction and raising the level of confidence in the electrical services provided to them, by launching a succession of initiatives and projects. The activity also formed high-efficiency specialized teams to meet the challenges and overcome difficulties, and to benefit from all modern technologies available for digital transformation and service delivery through multiple communication channels which allow customers to take advantage of the company's services in an easy and fast way. The activity has made remarkable strides in this area, such as:

- Reducing the average response to customers in call centers to less than one minute.
- Reducing the average response to customers through Twitter to less than 5 minutes.
- Issuing the customer's invoice within only 6 days of meter reading.
- 97% of subscribers' meters are read within 30 days.
- Sending over 500 million SMS messages to increase the level of communication with customers.
- Issuing a new invoice format that presents the data in a modern and sophisticated way.
- Decreasing complaints regarding invoices by 40% from last year.

Launching the “Barq” service by the Customer Services activity is one of the most important achievements in serving the customer in 2019, as it succeeded in reducing the time required to deliver electrical service from 19 days by the end of 2018 to only 7 days by the end of 2019. The “Barq” service proudly contributed to the company’s advancement by 46 levels in the Ease of Doing Business 2020 ranking by the World Bank Group for ease of access to electricity. In 2019, the company achieved 18th place after ranking 64th last year. And as part of the accelerated steps to raise the quality of the customer services and to reach the highest levels that keep pace with the aspirations of the government’s wise leadership, a contract has been signed to install 10 million smart meters in all provinces of the Kingdom.

With the aim of continuously providing electricity services to new customers, more than (371) thousand new customers have received the services, bringing the total number of customers, that the company is proud to serve, to more than 9.8 million.

Improving Network Performance

- A total of (16,930) new transformers for 69 KV and below were added, an increase of 3% of the total distribution transformers at the end of 2018, and a capacity of (8,650) MVA, representing 3.2% of the total capacity at the end of 2018.
- Overhead networks and underground cables for 69 KV and below were also added, with an overall length of (23,055) km-circular, an increase of 3.6% of total networks at the end of 2018.

The positive results of the various interruption indicators achieved at the end of 2019 are new accomplishments that can be added to this year’s achievements, with the System Average Interruption Frequency Index (SAIFI) decreasing by 15% from last year and the System Average Interruption Duration Index (SAIDI) decreasing by 16% from last year.

The activity aims to achieve more positive results in this field by establishing a special center for monitoring and analyzing breakdowns and achieving the company’s aspirations to quickly restore the electrical power to customers in less than two hours.



Total Energy Sold

279,322

Gigawatts



The number of customers reached

9,758,748

customers



Delivery of electricity service to

370,773

new customers

Saudi Power Procurement Company

(Principal Buyer)

Partnerships & projects to strive &
ensure sufficient & sustainable energy



Saudi Power Procurement Company

The Saudi Power Procurement Company (Principal Buyer) is a wholly-owned limited liability subsidiary of the Saudi Electricity Company. The Principal Buyer has three main organizational units: The trading sector, the independent production and renewable energy sector and the fuel supply and agreement sector, as well as the support units.

Tasks of the Saudi Power Procurement Company

Capacity management, electrical energy trading and development and establishment of new partnerships, renewable energy projects, the independent production and monitoring of their implementation, the management of trade agreements for the sale and purchase of energy, the provision of fuel and the efficiency of its use, and the participation with regulators in establishing and developing the electrical energy market. The license issued by the Electricity and Cogeneration Regulatory Authority included the purchase by the Principal Buyer of the contracts for the purchase and sale of energy and fuel supply agreements currently concluded with the Saudi Electricity Company. Until the transfer of the agreements from the Saudi Electricity Company to the Saudi Power Procurement Company is completed, the company manages these agreements on behalf of the Saudi Electricity Company.

The role and responsibilities of the Company include "procurement of electrical energy and capacity from generators, electrical energy trading including cross border trading. Also the Company is responsible for the future capacity planning for 7 years, the establishment of new ventures and partnerships, monitoring and implementation of IPP's, management of trade agreements for the sale and purchase of energy, fuel supply, and efficiency management..."

The Company's main activities and achievements:

The independent production projects under development and implementation are as follows:

- The Saudi Electricity Company entered into a cogeneration partnership with Saudi Aramco to develop **Al-Fadhili plant for dual production** (electricity and steam) with a capacity of (1,504) MW in 2017, and the commercial operation of the plant started in March 2020.
- **The Layla Al-Aflaj solar power plant** project is the first independent energy production project developed in the Kingdom that operates on solar-powered production system and is directly linked to the 10 MW electric grid. It is the result of a joint agreement and effort with King Abdulaziz City for Science and Technology and the Saudi Technology Development and Investment Company (TAQNIA). The installation and construction of the project have been completed and the project is being connected to the network. The commercial operation of the project is planned to take place during 2020.
- The 300 MW **Sakaka solar power plant** project was signed on February 14, 2018 with the project company: SAKAKA SOLAR ENERGY COMPANY a subsidiary of the developers Aqua Power Saudi Arabia with the participation of Al-Gihaz Saudi Company. The project agreements include a requirement stipulating that the proportion of local content and localization of services and materials should be at least 30% of the project's construction costs. The commercial initial operation of the project started at the end of 2019, with the commercial operation set to start in June 2020.
- The 400 MW **Duma Jandal wind power plant** project was signed in March 2019 with the project's company Dumat Al Jandal Wind Co for Energy LLC, a subsidiary of the French company EDF Renewables and the Emirates Company: Masdar, and work is under way on the installations and construction of the project, with the commercial operation of the project set to start in 2022.
- The company worked in cooperation with Saudi Aramco to develop fuel supply operations with ships for stations in the west and south coast for environmental and economic considerations by signing direct supply agreements with Saudi Aramco, and was one of the most prominent results of direct supply operations for Rabigh 1 station, Rabigh 2 station, South Jeddah station and Al-Shuqaiq station and provided savings of more than 110 million Riyals.
- Signing supply agreements with Saudi Aramco:
 - » PP-11 Sales Gas Supply Agreement.
 - » Rabigh-2 Independent Power Plant.

The following table shows the planned and under implementation projects of the Private Sector Participation in the Electricity production:

Project name	Production capacity of the project (Megawatt)	Investment of the private sector in the project's capital	Completion date of the project
Al-Fadhili Cogeneration Plant Project in cooperation with Saudi Aramco Company (Started operation in March 2020)	1,504	40%	2020
Jazan Cogeneration Plant Project in cooperation with Saudi Aramco Company, and the Company is the energy buyer (Planned)	2,000	100%	Under development
The Layla Al-Aflaj Solar Power Plant Project (Project under implementation)	10	100%	2020
Sakaka Solar Power Plant Project (Project under implementation)	300	100%	2020
Duma Jandal Solar Power Plant Project (Project under implementation)	400	100%	2022
Sudair Solar Power Plant Project (Planned)	1,417	100%	2023

Interest in renewable energy

To complement the company's interest in renewable energy sources following the signing of the 300 MW energy purchase agreement for 25 years with Sakaka Solar Power company in 2018, an agreement to purchase power for another project was signed in 2019 for a new type of renewable energy: It is the Duma Jandal wind power project with an electric capacity reaching 400 MW for 20 years, and commercial operation is expected to start in 2022.

Projects of the National Program's Second Phase

The second phase of the National Renewable Energy Program aims to develop 6 renewable energy projects with a total capacity of about 1.47 GW, which have been submitted to qualified developers, and offers have been received and evaluated. Projects include two categories (A, B) as described in the following table, which are classified into categories: Category (A), which includes projects with a capacity of less than 100 MW, and Category (B), which includes 4 projects with a capacity of more than 100 MW.

Negotiations are under way with the Public Investment Fund for the development of the 2,000 MW Sudair Solar Project on the basis of Royal Decree No. 5629 dated 27/1/1441H, which approved awarding the Sudair project to the Public Investment Fund. The terms of the contract were sent for presentation in December 2019.

Project name	Production capacity of the project (Megawatt)	Investment of the private sector in the project's capital	Completion date of the project
Category A			
Rafha Solar Power Plant Project	20	100%	2021
Al Madina Solar Power Plant Project	50	100%	2021
Category B			
Al-Faisaliah Solar Power Plant Project	600	100%	2022
South of Jeddah Solar Power Plant Project	300	100%	2022
Rabigh Solar Power Plant Project	300	100%	2022
Al Qurayyat Solar Power Plant Project	200	100%	2022

SEC for Projects Development

Enhanced power generation and
transmission capabilities



Saudi Electricity Company for Projects Development

The Saudi Electricity Company for Projects Development is a wholly-owned limited liability subsidiary of the Saudi Electricity Company.

Tasks of the Saudi Electricity Company for Projects Development

Engineering and design of electricity generation and transmission projects and supervising their implementation according to the engineering specifications and quality adopted by the company including monitoring costs and schedules, and maintaining environmental and social requirements and the safety of employees. The company is also involved in research, development and innovation in terms of improving the performance efficiency of the electrical system along with enhancing its reliability and stability.

The Company's main activities and achievements:



Enhancing the generation capacity with projects' costs exceeding SR (17) billion, including the operation of (4) generating units with a total generation capacity of (824) MW.



Enhancing the transmission network's capacity by energizing transmission substation projects and connecting cables to the network by more than (184) projects. A total of (57) new transmission substation were energized, and

(12) existing transmission substation were expanded with a transformation capacity of (20,615) MVA, and connected to the network via overhead lines and underground cables with a length of (2,233) km-circular.



In the area of research, development and innovation, (45) research projects were implemented through (4) specialized research centers in the fields of renewable energy and energy storage, with the contribution of (30) local and international partners from universities and research centers. Prototypes of (8) innovative products were manufactured with strategic partners, and negotiations are under way to manufacture (2) innovative products for phased testing and for field use. Also a number of new innovative projects are under development bringing the total number of incubated projects to (26) innovative projects.



A number of (412) projects are currently under execution to enhance generation and transmission capacity with contractual cost of more than SR (62) billion.



(57) new transmission substation with
transformational capacity of

20,615
MVA



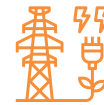
Enhancing generation capacity with
projects that cost more than

17
Billion SR



Overhead lines and
underground cables

2,233
km-circular



Enhanced capabilities of the
transmission network by energizing

184
Projects



Research projects

45
Projects



Projects in progress
more than

412
Projects



Innovative projects

26
Projects



Power generation and
transmission projects in progress
with a contract value in excess of

62
Billion SR



Strategic Planning & Business Development



Strategic and restructuring initiatives
to improve the company's business



Strategic Planning and Business Development

Description of the Company's Important Plans, Decisions, and Future Expectations

Restructuring the Company's Activities

To keep up with the Kingdom's Vision 2030 and the National Transformation Program which aim to develop the Kingdom's electricity industry and build a competitive electricity market, the company made significant efforts during 2019 to achieve the objectives of this vision by examining many options and strategic plans to restructure its activities in coordination with all relevant authorities.

The restructuring aims to improve the electricity system and work on achieving competition between different energy providers in the Kingdom. This will be reflected in the quality of service provided to customers in all walks of life, in all cities, villages and hamlets of the Kingdom, and will increase the confidence of investors and the private sector in the viability of investment in the electricity sector. The most important challenges and opportunities facing the electricity sector in the Kingdom which the company is studying are:

- Reliability of the electrical system
- Sustainability and energy diversification (energy mix)
- Operational efficiency

The restructuring plan of the company – monitored by the Ministry of Energy, Industry and Mineral Resources, the Electricity and Cogeneration Regulatory Authority, the Public Investment Fund and the Ministry of Finance – aims at developing the electricity market in the Kingdom and increasing competition in the economic operation of the

electricity system in a way that increases its operating efficiency, reduces costs and increases the reliability of the network.

During 2018, the Company's General Assembly took an important decision to establish the Saudi Energy Production Company as an independent company wholly-owned by the Saudi Electricity Company.

The company will complete the remaining steps of its plan to restructure its activities in coordination with the Ministry of Energy, Industry and Mineral Resources and the Electricity and Cogeneration Regulatory Authority according to the objectives and strategies that contribute to the development of the electricity market. This will play a major role in advancing the national economy and the comprehensive development plans in the Kingdom, Allah's willing.

The Saudi Electricity Company has also made a series of management restructurings and new appointments focused on promoting digital transformation, cybersecurity and subscriber services. As a result of the current and future strategic transformations in the electricity industry to keep pace with Vision 2030, efforts have been made to sustain energy reliability, taking into account raising performance efficiency, monitoring operational and capital costs, pursuing the achievement of the company's key indicators and turning challenges into promising opportunities that will bring about positive and effective changes, Allah's willing. In an effort to improve the company's performance, excellence and creativity, the Board of Directors has adopted the integration of the Supply Services and Contracts and Public Services two activities into one activity, and the establishment of an independent IT and digital transformation activity, as well as the establishment of an independent cybersecurity department.

Important decisions

- On Wednesday, 20/02/2019, the company signed a joint financing contract valued at SR 15.2 billion with several banks.
- At its meeting held on Tuesday, 05/07/1440 H, corresponding to 12/3/2019, the Board of Directors of the Saudi Electricity Company recommended to the company's General Assembly to pay shareholders cash dividends for the fiscal year 2018.

- The Board of Directors of the Saudi Electricity Company approved on Tuesday, 15/03/1441 H, corresponding to 12/11/2019, the appointment of Mr. Fahad bin Hussein Al-Sudairi as Chief Executive Officer of the company, as of 12/11/2019.
- The Board of Directors of the Saudi Electricity Company approved on 15/04/1441 H, corresponding to 12/12/2019, to award the smart meters project, which includes the installation of 10 million smart meters, to all customers in Saudi Arabia.
- The Board of Directors of the Saudi Electricity Company approved on 26/12/2019 to:
 - » Integrate the activities of the Supply Services and Contracts activity and the Public Services activity into a single activity under the name of Services and Contracts activity.
 - » Separate the IT sector from the Public Service activity and give it the name of IT and Digital Transformation activity, which will be directly subordinate to the CEO of the Saudi Electricity Company.
 - » Change the Planning and Current Performance Monitoring activity's name to the Strategic Planning and Business Development activity.
 - » Separate the Department of Cybersecurity from the Public Services activity structurally, so that it will be an activity directly subordinate to the CEO of the Saudi Electricity Company.

Future Plans and Expectations

In light of the steady growth of the national economy and the expansion of all aspects of life in the Kingdom, the company aims to meet this expansion in demand and to achieve, by the end of 2022, the following:

- To add new generating capacity from the company's plants by about (3,834) MW.
- Within the private sector participation program, (7,377) MW will be added to increase generating capacity to meet future loads.
- To add transmission lines of (7,560) km-circular and deliver electricity services to about one million new customers by the end of 2022, which will bring the total of customers to (11) million customers.
- To strengthen the distribution networks by adding (124,900) km of transmission lines.

Through its development programs, the company seeks to raise the efficiency of employees and provide them with the necessary training to perform their jobs efficiently and effectively, with a 2.1% increase in training days by the end of 2022. Within the framework of the company's program for job localization and community service, the company will maintain a localization rate of 92%.

Strategic Initiatives

The company will continue to leverage performance efficiency efforts, improve productivity and bring the company's performance indicators to the benchmark performance rates of the world's best energy companies. The total savings from the strategic initiatives, between 2014 and the end of 2019, amounted to SR 18.57 billion, of which SR 1.77 billion savings were achieved during 2019 as follows:



Saving SR 965 million by switching from copper to aluminum cables.



Saving SR 646 million from loss of revenues by reclassifying consumption categories, meter collection, multiplication factors, etc.



Saving SR 161 million after the introduction of the new methodology for collecting contracts.

Human Resources

Wealth of the Nation



Human Resources

Company Awards and Creativity Programs (Ibdaa)

- During 2019, and for the first time, the Saudi Electricity Company won four international awards that enhanced the mental image of the company as follows:



Two Ideas Arabia Competition awards, organized by Dubai Quality Group, with the first prize in both "Technology – Projects" and "Health & Safety – Projects" categories.



Two British Ideas Competition awards, organized by the Association of British Ideas, with the first prize in both the "Sustainability" and "Financial Value" categories.

- The company, by implementing the quality programs adopted from the recommendations of improvement studies and the introduced creativity program (Ibdaa) proposals, achieved financial savings of SR 887,625,309 million in 2019. These programs had a positive effect on the employees and promoted a culture of creativity excellence.
- Number of improvement studies: 216 improvement studies
- Improvement recommendations implemented through the year: 648
- Number of creative proposals: 5,782



Human Resources and Planning

- The strategic workforce objective of 34,100 employee by 2019 was achieved, as the total workforce reached 33,957 employee, decreasing by 642 employee when compared to the actual number of 34,599 employee in 2018, down 143 employee from the 2019 ceiling.
- Raising the company's Saudization rate to 92.48%.
- The launching of the workforce planning and productivity improvement program which aims to determine the optimum number of employees of the National Grid SA. So far, 32 workshops have been implemented to define the operations' framework and limit 1,500 operations to the fourth level and 200 operations to the third level.

The Company's Restructuring Projects

- Restructuring the Saudi Electricity Project Development Company at all organizational levels.
- The creation of Risk and Compliance Sector which reports directly to the CEO.
- Design the organizational structure of Integrated Dawiyat Telecommunications & Information Company, and re-design the organizational structure of the current Dawiyat company.
- Design a centralized cybersecurity model that reports directly to the CEO.
- Design the organizational structure of the Electrical System Planning business activity at the National Grid SA.
- Create and design the organizational structure of the Collection Sector within the Distribution & Customer Services business activity.
- Create and design the organizational structure of smart networks, metering & solutions sector within the Distribution & Customer Services business activity.

Executive Leadership Development Center (ELDC)

- Number of graduates from the Executive Leadership Development Centre: 81 graduates.
- Number of participants in the program: 1,812 participants.
- Number of training hours: 29,941 training hours.
- Number of workshops: 110 workshops.
- Number of assessed candidates for 2019: 741 participants.

Training and Development

- Giving the company's institutes the license to offer training programs and to preserve the curriculum rights.
- Achieving a 96% rating in the 5-Star in Occupational Safety and Health Management system at the level of training institutes.
- Continuing the technical merit project with the addition of technical merit arrays and development matrices to 32 new jobs for all career positions, to bring total jobs that passed through the project to 186 jobs.
- Study of rehabilitation, change of disciplines and the diversity of skills and professional certificates for 1,164 employees in the company's various activities.
- Providing 3,990 courses based on the learning methodology associated with merits and career paths' programs.
- Number of training days: 157,648 training days.
- Total of participation: 44,428 participations.
- The percentage of employees who took courses: 69%.
- Ratio of training days to working days: 2.11%
- Satisfaction rate of participants in investment training reached 94%, while the satisfaction rate of participants in internal courses reached 90%.

- The completion rate of employee development plans in the company reached 98.4%.
- Design and implement 21 investment training programs for 371 participants from several companies including Aramco, SABIC, Chevron, and Saudi Council of Engineers.
- Develop 717 employees through a development program offered to the frontline personnel in the Distribution and Customer Services business activity.
- Development of electronic training materials for 11 training programs.
- Development of training institute facilities with the latest designs.

Services provided to employees

- Renew the contract with "MEDGULF" to provide medical insurance for the company's employees and their families.
- Link work and training allowances to the budget system, thus saving the company around SR 23,863,117 when comparing actual costs for the same application period in 2018, taking into account that the exchange rate was taking an upward curve before applying this link.
- Invest in the company's medical centers by preparing them and bringing in an investor to operate them and sharing 20% of profits with him.
- Establish a special situations fund to ensure that appropriate health services continue to be provided to the company's employees and their families for cases that cannot be postponed.
- Set a cap on overtime hours and the ability to allow the overtime within specific controls which saved the company around SR (32,593,777) when comparing the actual costs of the same application period of 2018, taking into account that the exchange rate was taking an upward curve before applying these controls.
- Recover the amount of financial differences established by the Ministry of Labor, which is estimated at SR (7,659,500) through continuous follow-up with them.

- Provide a safe and healthy working environment in order to maintain the health and safety of our employees by achieving the company's strategic objective (compliance with safety and environmental standards) through the implementation of the occupational health programs, which numbered (10) programs, to comply with the requirements of the Ministry of Labor. In addition, many vocational health training programs have been adopted in the following topics: managing pressures in the workplace, human factor engineering, general occupational health, primary first aid course, a "preparing a paramedic" course. The number of employees benefiting from these programs reached (14,281). Also, occupational health events (World Days), stipulated in the insurance company's contract, were held without additional costs to the company, which saved the company an estimated sum of SR 260,000.
- Document the contracts of the company's employees on the website of the General Organization for Social Insurance in accordance with the instructions of the Ministry of Labor three months before the specified period (and to solve the problems resulting from the documentation process).
- Digital transformation of services' delivery which aims to continuously improve the delivery of services to employees and raise their satisfaction by launching many automated services such as: adding data updates of the dependents, issuing a loss replacement, travel insurance certificates, upgrading the parents' treatments, updating the data with the Council of Cooperative Health Insurance, cancelling health insurance and deleting the dependent, automating the savings program, automating the appointment of supervisors' program, keying electronically the non-Saudi employees' holidays, automatic transfer of employees at the request of the company and the employee, as well as upgrading more than (100) current systems at the company.
- Creating a healthy social and mental work environment by activating advice and guidance programs where the number of cases requiring mental or social guidance reached (621), and thankfully 90% of these cases were treated.
- Equipping an integrated clinic in the holy sites during the Hajj.
- Providing seasonal influenza vaccines in coordination with the Ministry of Health, where (3,740) vaccines were offered at no cost.
- Strengthening the relationship with relevant third parties through periodic visits and inviting them to public company events, and honoring those who work in offices, medical bodies, passports, civil status, and social insurance.

- Modify the careers of the company's employees to become (private sector employee) without the need to leave the workplace and visit civil affairs branches, through direct coordination with the Ministry of the Interior (civil affairs) and the opening of direct channels of communication with them.
- Providing services to (5,324) beneficiaries of the housing loan program by the end of 2019.
- Providing services to (14,255) beneficiaries of the savings program by the end of 2019.

Social responsibility



Contributing to the social responsibility of the company through training 1,320 co-op student and 731 summer students.



Implementation of safety courses at schools for 297 participants in the presence of the directors of security and safety departments in 9 educational departments in different cities of the Kingdom.



Conducting seminars and visits to the employees' families and their children in the company's institutes.



5,782

Creative Proposals



216

Improvement Studies



33,957

Employees



157,648

Training Days



92.48%

Saudization Ratio



4

International
awards



888

Million SR, money saved from
quality programs



2.11%

The ratio of training days
to working days

Shareholders

Diligently Serving You



Shareholders

The company has complied with the rules and regulations of the Capital Market Authority (CMA) and has complied with the disclosure and transparency directives contained in Article (90) of the Corporate Governance Regulations. The company has worked to achieve shareholders' expectations, develop their rights and facilitate their access to information as well as enhancing the quality of disclosure of financial results, important developments and significant changes focusing on the timing factor and delivery method to shareholders.

The company continued its efforts to enhance the methods of communication with its shareholders and urged them to deposit their share certificates in investment portfolios, thus achieving a smooth flow when depositing their profits in their accounts pegged to their portfolios with different banks during the first day of the profits' disbursement. The company is usually keen on effective communication with the competent authorities in the capital market and on the exchange of information related to the company with investors and financial and investment institutions.



Compliance with disclosure & transparency directives



Achieve shareholders' expectations



Facilitate shareholders' access to information



Enhance the quality of disclosure

Relative Distribution of the Company's Capital

Shareholder	Number of Shares	Percentage %
Public Investment Fund	3,096,175,320	74.31%
Saudi Aramco	288,630,420	6.93%
Public	781,788,075	18.76%
Total	4,166,593,815	100%

The company's share closed at the end of December at SR 20.22, compared to SR 15.14 at the beginning of 2018, down 33.55%.

The Company's Share Performance

Index	2018	2019	Percentage %
Volume of traded shares	337,723,057	480,781,310	42.36%
Value of traded shares	6,353,479,365.10	8,648,476,304.82	36.12%
Number of trades	197,584	258,326	30.74%
Closing price of the share	15.14	20.22	33.55%

Statistics

Index	2018	2019	Percentage %
Public Utilities Sector Index	3,369.30	4,399.70	30.57%

Index	From the sector	From the market
Rate of the Acquisitions of the Company's Shares	97.32%	0.93%

Maintaining Safety and Preserving the Environment

SEC won the Kingdom of Saudi Arabia
Award for Environmental Management
in the Islamic World



Maintaining Safety and Preserving the Environment

Occupational Safety and Health Policy

The Saudi Electricity Company and its subsidiaries attach the utmost importance to safety and occupational health. As Executive Management, we believe that identifying and evaluating potential risks and reducing them will, Allah's willing, reduce all kinds of loss of life and property and will keep the working environment safe.

We are determined to achieve our vision by reducing the likelihood of casualties and injuries to our employees, contractors, visitors and external audience in our business environment.

We are therefore committed to the following:

- Managers and supervisors are responsible for the effective management of safety and occupational health matters in all our operations, and should emphasize the importance of safety as the responsibility of all employees of the Saudi Electricity Company.
- We identify and evaluate the safety and potential occupational health risks and put in place the necessary controls to reduce these risks and to review them regularly.
- We provide training and development to our employees to ensure that they have the awareness and competence to deal with potential risks and the tasks related to safety and occupational health.
- We communicate, consult and engage our staff in the decision-making process for continuous improvement of the safety and occupational health management system.
- We comply with the legal requirements for safety and occupational health and any other pertinent requirements.
- Provide a safe, healthy and integrated working environment with the outside community.
- Develop measurable plans and goals to improve safety and occupational health performance, and integrate it with our management system at all levels, which will reduce potential risks and enhance our services.
- We constantly document, monitor, review and improve the safety and occupational health management system.
- We protect our employees and properties to ensure continuity of business.

Chief Executive Officer



Safety Achievements for 2019

- **The (5-Star) compliance rate** reached 91% in 2019, an increase of 8% over 2018.
- **The leadership in safety level** reached 94%, an increase of 6% over 2018.
- **Risk management of daily activities level** reached 92%, an increase of 10% over 2018.
- **The Personal Protective Equipment (PPE) compliance level** reached 96%, an increase of 7% over 2018.
- **All SEC assets are provided with safe protection requirements with a level that** reached 93%, an increase of 9% over 2018.
- **Training and awareness level** reached 94%, an increase of 4% over 2018.
- **Accidents recording system's compliance** reached 97%, an increase of 3% over 2018.
- **Emergency management** reached 96%, an increase of 8% over 2018.
- **Monitoring and continuous improvement compliance** reached 90% an increase of 7% over 2018.
- A decrease in total losses for the company's employees and contractors by 17% compared to 2018.
- A reduction in workplace injuries (employees – contractors) by 48% compared to 2018.
- A decrease in fire incidents by 8% compared to 2018.
- Conducted an official audit of (43) auditable units in 2019.
- Achieved 5-STAR excellence level for 30 organizational unit in the application of the safety and occupational health system.
- Invitation to bidding for (44) items of personal protective equipment (PPE) that has been contested by 18 suppliers. These items included a number of devices for inspection and measurement in the working environment and for the diversification of sources of personal protection clothing.
- Completed the development of the safety management system 5-STAR to comply with ISO requirements (45001).
- Performed (7,299) safety inspections and (11,188) safety observations were recorded, and 96% of these observations were corrected according to the actual implementation date.



94%
Training and
Awareness Level



93%
SEC Assets with
Safe Protection
Requirements Level



94%
The Leadership
in Safety Level



90%
Monitoring and
Continuous Improvement
Compliance Level

91%
(5-STAR)
Compliance Level



92%
The Risk Management of
Daily Activities Level



97%
Accidents Recording System
Compliance Level



96%
Emergency
Management Level



96%
The Personal Protective
Equipment (PPE)
Compliance Level

Preserving the Environment

Despite the significant challenges facing the company to meet the ever-growing demand for electricity and the accompanying environmental impacts at the local and regional levels, the Saudi Electricity Company is committed to minimizing these impacts, and to comply with all environmental laws and regulations required to reduce pollution, protect the environment and public health in a manner that supports sustainable development without compromising the company's obligation to providing its customers with their energy needs.

The company's environmental vision to "be a leader in environmental protection in the Kingdom" is in line with the Kingdom's Vision 2030, and supports the national economy's diversification by reducing dependence on oil and preserving the environment. Through its strategic transformation program, the company is committed to take on a leadership role in protecting the environment throughout Saudi Arabia through its 2019 updated environmental policy, which promotes clean energy sources, the efficient use of resources, reuse and recycling, waste minimization measures, as well as compliance with all prevailing environmental laws and regulations and contribute to reduce the emissions of greenhouse gases.

Compliance with Environmental Standards

All the company's projects are designed to comply with the prevailing environmental standards in order to achieve compliance with environmental regulations and legislations that contribute to improving the environment in the Kingdom.

In this context, the company monitors the level of compliance with the General Environmental Regulations issued in 2001, and the updated environmental standards General Authority of Meteorology and Environmental Protection in 2014, through periodic auditing based on a bespoke environmental protocol protocol that is compatible with ISO 19011: 2011, which assesses the level of compliance of each site of the company. It also identifies cases of non-conformities with environmental requirements and correction plans during the grace period by the end of 2019. With this objective, the company prepared and implemented 24 approved environmental compliance documents, implemented awareness and training programs, prepared environmental studies and surveys, established waste management facilities, installed Volatile Organic Compounds (VOCs) systems in fuel tanks, constructed evaporation ponds and hazardous substance tanks, improved the separation of oil and contaminated water systems in the power plants, and installed air pollutant emission control systems at generating plants such as sulfur oxides, nitrogen oxides emissions and particulate matters systems. The company's sites monitor emissions of SO₂, NO_x, PM₁₀, and PM_{2.5} from stacks through continuous flue emission monitoring devices or mobile devices. They also monitor fugitives emissions; control industrial and municipal water discharge; groundwater pollution; environmental noise in the company and the air quality in surrounding areas of the company's facilities; ozone-depleting substances; control and management of hazardous and non-hazardous waste.

The company invests large amounts of money to control emissions by using the Low NO_x Burner (LNB) combustion system that reduces emissions of nitrogen oxides by up to 60%; the electrostatic precipitators in units operated by heavy fuel to reduce the emission of particulate matter by up to 99%. The company is also investing in Seawater Flue Gas Desulfurization (FGD) technology to reduce emissions of sulfur oxides by up to 90% without any liquid or solid waste; chemical treating of wastewater from boilers; separating fuel residues from water reservoirs prior to sending it to evaporation ponds, and controlling the temperature of cooling water drained to the sea within the permissible limits.

Clean Energy

To enhance the reliance on clean electric power, the company has increased its production from high-efficiency combined-cycle, which is based on the use of exhaust heat from gas turbine generating units as a thermal source for boilers instead of burning more fuel. The company's production from the combined-cycle increased from 8.3% in 2010 to 31% in 2019, while the use of the simple-cycle decreased from 50% in 2010 to 22% in 2019.

The total amount of clean energy produced from the combined-cycle reached 59,258 MWH. The company is currently implementing projects to raise the combined-cycle generating capacity by more than 4.2 Gigawatts in power generation projects of Al-Qassim, Duba, Hail, Power Plants 13 and 14, Waad Al-Shamal, Taibah, and Northern Al-Qassim plants. It should be noted that these projects will lead to saving about 60 million barrels of oil per year and reducing Carbon Dioxide CO₂ emissions by about 25.8 million tons per year.

One of the most important implemented projects is the Rabigh 2 independent production project / Al-Mourjan. This project is the fourth in the company's schedule of independent electricity production projects of the SEC, and is considered a milestone in the Kingdom's electricity sector due to being the first independent project for electricity production operated by the combined-cycle technology with a total thermal efficiency of 58.8%. The project provides the grid with a total electricity capacity of 2,060 MW.

The company also started moving towards the production of electricity from renewable energy sources, such as solar energy at the Farasan Island plant, and the thermal power plants projects integrated with solar energy, such as at Waad Al-Shamal and Green Duba plants, which include 100 MW of solar and wind power, such as the wind turbine of Huraymila with a 2.75 MW capacity.

Since the announcement of the Kingdom's Vision 2030, the Saudi Electricity Company and the Saudi Power Procurement Company have been working closely with the concerned authorities from the Ministry of Energy and Mineral Resources to develop its plans and initiatives to implement renewable energy projects with a capacity of 27.3 GW during the next five years. One of the SEC's electricity projects is the Layla Al-Aflaj independent photoelectric solar power plant project: it is the first independent solar power plant developed in the Kingdom of Saudi Arabia with a 10 MW capacity in the Al-Aflaj province and is a result of the energy purchase agreement signed between the Saudi Electricity Company and the Saudi Technology Development and Investment Company – TAQNIA. The project will save more than 800 thousand barrels of diesel during the project's duration, and reduce the emission of harmful gases by 219 thousand tons of carbon dioxide. The installation of solar panels has been completed and pre-operational tests are under way.

The Sakaka independent photoelectric solar power plant project, with a 300 MW capacity and a record tariff price of 8.781 cents/kWh according to the energy purchase agreement signed between the Saudi Power Procurement Company (Principal Buyer) and the Sakaka Solar Power Company. The project will save more than 50 million barrels of diesel during the

project's duration, and will reduce the emission of harmful gases by 10.5 million tons of CO₂ emissions. The project has been connected to the grid, and the performance tests have also been completed. The final commercial operation announcement is under way in cooperation between the Principal Buyer and the project's company.

The Duma Jandal wind power plant project with a 400 MW capacity and a record tariff price of 7.78 cents/kWh according to the energy purchase agreement signed between the Saudi Power Procurement Company (Principal Buyer) and Duma Jandal Wind Power Company. The project will save more than 70 million barrels of diesel during the project's duration, and reduce the emission of harmful gases by 19 million tons of CO₂ emissions. The financial close process has been completed and work is under way to complete studies and designs in cooperation between the Principal Buyer and the project's company.

The Saudi Electricity Company also signed a partnership agreement with Petroleum Chemicals and Mining Company PCMC (Saudi Binladin Group) to establish the Green Saudi Company for Carbon Services, which aims to develop and manage carbon emission reduction programs and the clean development mechanism projects, and prevent environmental pollution in accordance with international and regional protocols and treaties and local regulations. The Layla Al-Aflaj solar power project was registered to issue carbon emissions certificates. Also, 26 projects have been concentrated in the company and have contributed to the reduction of greenhouse gas emissions.

Five solar-powered systems have been installed in some of the company's buildings, which aim to save approximately (8,550,000) kWh per year, equivalent to (15,400) barrels of oil equivalent.



Environmental Policy

SEC and its subsidiary companies recognize the potential impact of their activities on the environment.

We accept our responsibility to minimize these effects on the environment and to comply with all applicable environmental laws and regulations. We also understand that we have an obligation to prevent pollution, and to protect the environment and public health, with the aim of supporting sustainable development and without compromising our obligation to provide our customers with their power needs.

In support of these responsibilities, we will work to continually improve our environmental performance, through:

- Integrating environmental considerations into all the company's business and decision-making processes.
- Striving towards the optimal use of resources within the business, including focusing on the reuse and recycling of resources and on waste minimization measures.
- Promoting self-reliance on clean energy and adopting best practical technologies and the most suitable options to minimize the adverse impacts on the environment which may result from SEC's activities.
- Monitoring, measuring, and assessing the environmental performance of our facilities, processes, products, and services.
- Ensuring that our employees are aware of, and engaged with, our environmental commitments and that they have the necessary competency and equipment to operate in line with these obligations and commitments.
- Communicating our commitments to our contractors and suppliers, and working to ensure that they are addressing these as part of their engagement with our organization.
- Educating, and engaging with, our customers to increase their awareness of environmental issues and enable them to make energy efficient choices.
- Ensuring that the necessary personnel, equipment, and procedures are in place to safely, promptly, and effectively respond to any incident associated with our facilities and operations.

Chief Executive Officer

Preserving Natural Resources

To reduce natural resources consumption, the company has taken several measures to improve energy efficiency. It increased energy efficiency of power generating plants, and plans to increase energy efficiency by 44.8% in 2030. Fuel consumption decreased from 2.01 barrels of oil/megawatt per hour in 2009 to 1.7 barrels of oil/megawatt per hour in 2019. The company also plans to reduce the fuel consumption to 1.4 barrels of oil/megawatt per hour in 2024. One of the measures that contributed to the reduction of consumption, is the replacement of low-efficiency generation units with a new generation of high-efficiency units, where 208 units were put out of commission from 2015 to 2019. The company also completed the electrical interconnection project between the regions of the Kingdom and the Arab Gulf states, which contributed to the import and export of electric power and reduced the spinning reserve in the grid. The implementation of thermal insulation imposed by the company in the new buildings has also contributed to reducing the loss in energy consumption, as well as the implementation of electric power rationing programs in all administrative locations of the company through the use of technical programs and modern technical solutions to control the operation of the services in the company's buildings, such as the use of timers and replacement of traditional light bulbs with LED bulbs.

The company also studied all wastes generated from the company's facilities and plants to find solutions for these wastes or to take advantage of recycling and the use of hazardous waste. It reused carbon ash from power generating plants as a fuel source for the cement plants, which has led to sustainability achievement and significant financial savings for the company. In addition, the company protected the environment by stopping the dumping of carbon ash in the industrial landfills, and the consumption and waste of land, and the associated processes of treatment and landfilling that can damage the environment. The company is currently operating and in the final stages in a global and specialized partnership to reclaim economically viable metals such as vanadium and nickel from carbon ash.

A feasibility study has also been completed on the recycling of used batteries and paper waste, non-precious metals, chemical residues and other waste from the company's facilities, and outstanding results were achieved. In addition, the company recycled oil residues or mixed fuels with water in cooperation with companies specialized in waste recycling and qualified by the General Authority of Meteorology and Environmental Protection. Water consumption has also been audited in all of the company's locations to ensure that their water consumption is managed in terms of measuring consumption, installation of water saving kits, and examining options for water re-use and recycling. Currently, the power plants are treating and reusing sanitary water to increase green areas.

Power Plants 10 and 12 also use treated sanitary water instead of non-renewable fossil groundwater in electricity production. Programs are also being implemented to reduce paper consumption and reduce the production of municipal waste from the company's facilities. As a result, municipal waste per employee decreased from 260 Kgs during 2018 to 258 Kgs annually at the end of 2019. Paper consumption per employee also decreased from 533 sheets per employee in 2011 to 235 sheets per employee in 2019.

Transformer oils are also recycled, SF₆ gas is withdrawn, stored and activated in order to reduce resources loss and hazardous waste production. The company also signed a memorandum of understanding with the Municipality of Dammam to produce electricity from waste instead of fossil fuels. One of the most important research projects that contribute to the protection of the environment is the Carbon Capture Utilization and Storage project signed with the Electric Power Research Institute (EPRI) and the removal of vanadium from crude oil agreement with Siemens which will decrease the percentage of residue in oil, and as a result, decrease the poisonous gases from combustion products. A project agreement with General Electric is under way to emulsify the crude oil of gas turbines to increase combustion efficiency, which reduces the amount of ash from combustion products as well as nitrogen oxides. In addition, a project with General Electric to remove vanadium by using microwave technology, and a pilot plant project with Saudi Aramco to remove sulphur oxides have also been signed with Imam Abdulrahman Bin Faisal University for projects related to the environment.

Environmental Awareness and Engagement

The company contributes to spreading and promoting environmental awareness among all employees, contractors, and the company's suppliers, and qualifies the concerned employees and enables them to attend qualifying courses and obtain the highest international certificates in the field of environmental protection. It also prints and distributes environmental leaflets and brochures to the company's employees and offers them specialized courses, awareness programs in various environmental areas, where 52 environmental workshop, lecture, and course were held and attended by 813 employees. In addition, many workshops, training courses, and certificates were offered to employees in the field of environmental awareness and ISO requirements 14001:2015. The company also prepared and adopted environmental procedures, and prepared the quarterly environmental compliance report and sent it to the General Authority of Meteorology and Environmental Protection. In 2019, the company held a clean energy forum to raise the environmental awareness level of the company's employees and the community, with the participation of international companies and advisory centers specialized in clean energy.

The company in all its key locations participated in the World Environment Day where a number of papers were presented and a number of specialists and prominent environmental workers in the Kingdom were invited. Some private sector companies have participated in this event and in its accompanying exhibitions. The company also was represented in the Protection of the Environment Executive Committee meetings at the Riyadh Development Authority.

The company does not lose sight of the importance of cooperating with the community to support their environmental programs and activities by: sponsoring important events, such as the 6th GCC Environment Forum, which was supervised by the General Authority of Meteorology and Environmental Protection; participating in environmental conferences through working papers; raising public awareness about the importance of preserving the environment and of rationing electricity consumption by printing guidelines on electricity bills, and by distributing brochures and pamphlets via customer services offices; contributing to articles and publications in newspapers; giving lectures in schools; and participating in many awareness campaigns, such as the "Cleaner Environment" campaign and participating in international environmental events such as "Earth Hour" and "Earth Day".

The Company's Environmental Awards

The Saudi Electricity Company won the Award of the Kingdom of Saudi Arabia for Environmental Management in the Islamic World for the edition 2018 – 2019, under the category: Best Environmental Management Application. The recognition came at the opening of the 8th Islamic Conference of Environment Ministers at the Islamic World Educational, Scientific and Cultural Organization (ISESCO) headquarters in the Moroccan capital, Rabat, where 56 Islamic nations were represented under the patronage of King Mohammed VI of Morocco. This is the top recognized environmental prize in the Arab and Muslim world. SEC's recognition is an acknowledgment of its continuous achievements and efforts towards keeping up with the Kingdom's Vision 2030 and the National Transformation Program 2020.

The Saudi Electricity Company has previously received many awards for its environmental compliance whether at the national, Arab, or international level. Last year, the company received the Ideas Arabia International Award at the Dubai Quality Group for its achievement in turning the hazardous carbon ash into a fuel enhancer in cement plants. The award automatically qualified the company for the Global Continual Improvement and Innovation Award after the idea was selected to top all categories by the judging panel for this year. Few years ago, the company came in third in the 5th session of the Kingdom of Saudi Arabia for Environmental Management Award among GCC and Arab corporations.



Corporate Social Responsibility



Committed to our employees,
customers, partners, and society



Corporate Social Responsibility

Social Responsibility Strategy

Toward the Employees

The provision of a suitable work environment, the creation of equal opportunities for training and development, the motivation for excellence and innovation initiatives, the instilling of the culture of quality in word and deed, the embodiment of values governed by the workplace code of ethics, the engagement of employees through e-mails and opinion polls on the programs, activities and services provided to them.

Toward Society

The effective contribution to social and economic development through: supporting social welfare activities and programs, interacting with the developmental and humanitarian issues and concerns of the society, engaging the community in the initiatives and leading the programs for the rationalization of electricity consumption, dissemination of a culture of safety and security against electricity consumption risks, supporting the research centers by choosing to adopt and support initiatives and research chairs, improving the electrical systems' performance, and maintaining the environment.

Toward Our Partners and Customers

Our responsibility for the generation, transmission, and distribution of electric power was a strong motivation to prove our capabilities and potential that will help us to build strategic relationships on the basis of fairness and transparency. In this context, we communicate with our customers and partners to ensure the sustainability of interaction, trust and partnership. We also motivate them to participate in the electricity industry's issues and to follow up its developments. We listen to their views and suggestions about the level of our performance in order to enhance our position and public image.

Social activities

Implementing various programs, events, lectures, graduation ceremonies, and honorary and private parties, promoting social communication with employees and their families through the implementation of an internal communication plan, organizing sports, cultural programs, and social activities at the company's clubs, and providing training opportunities for the employees' children in cooperation with specialized training institutes, and offer them many different sports activities.



Supply and Contract Services

Strategic partnerships and continuous
improvement in customer service



Supply and Contract Services

Effective and reliable management of the Supply Chain to create added value to our customers through strategic partnerships, operational efficiency, continuous improvement and excellence in customer service. The volume of operations managed in the supply chain in 2019 was SR 15 billion (stock, buy, exchange, receipt, conversion, return) and more than 4.4 million warehouse movements across the Kingdom, thus maintaining a high service level of 97%.

One of the most notable achievements of the activity in 2019 was its contribution in achieving the objectives of the Kingdom's Vision 2030 and achieving the company's strategic objectives by localizing the electrical industries through implementing the "Build and Employ National Abilities (bena)" program on the company's purchases and contracts. As such, the activity finalized all procedures related to the development of support systems and the motivation of local importers, and started examining the percentage of local content in accordance with the methodology adopted by the Local Content & Government Procurement Authority.

The bena program is based on three major initiatives: the first related to the development of policies and mechanisms that support and motivate local manufacturers and contractors. The second initiative is related to the support and motivation of small and medium-sized enterprises by calculating a price preferred rate compatible with the percentage of local content, measured by the compensation paid to local employees and the level of Saudi employees' development, as well as the development of local suppliers and expenses paid on research and development



and on local goods and services and annual depreciation, in addition to giving an additional incentive for exporting outside the Kingdom. The third initiative focuses on limiting investment opportunities in the company and presenting it to investors. As a result, the Industrial Investment Opportunities Handbook has been issued about the localization of the electrical industries and the supporting industries which include more than 250 investment opportunities.

The purchase rate from national factories amounted to 61.4% of the company's total direct purchases from the spare parts and materials sector. This ratio is one of the highest among local companies in the Kingdom of Saudi Arabia.

The number of national factories registered with the company increased and reached (595) national factory, which will contribute to increasing the proportion of local content.

We also aspired to achieve the expectations of the company and its shareholders by reducing the value of the company's inventory for 2019 by SR (347) million compared to the actual value of 2018, and to reach SR (4,863) billion by decreasing the value of the company's inventory for the sixth consecutive year by SR 1.5 billion or 30%, since the launch of the Strategic Transformation Program until 2019 without affecting the reliability and availability of spare parts and materials in warehouses, with an availability rate of (98.16%), while continuing to implement the initiatives of the supply chain excellence project to create more development opportunities and improving efficiency and effectiveness.



Negotiating the purchase and reoffering and increasing the supply and demonopolizing sources

393

Million SR



Contract negotiation

340

Million SR



61.4%

Purchases from National Factories



595

Registered National Factories



Value of transfers between warehouses

531

Million SR



Repair of distribution equipment

11.6

Million SR



Achieving savings and financial returns amounting to more than

1.364

Billion SR



Auction revenues

85.2

Million SR



Compile contracts into one package

273.8

Million SR



Supply Chain Volume

15

Billion SR



Value of Inventory

4.864

Billion SR

Financial Results Summary

Saudi Electricity Company



100000

000

00

2000

4

0

-2000

000

00

80.08.1

201.1

15.6.1

36.5.2

1- Description of the Main Activities of the Company:

The company's main activity is the generation, transmission and distribution of electrical power. The company is the main producer of electrical power throughout the Kingdom of Saudi Arabia and provides its services to various governmental, industrial, agricultural, commercial and residential sectors.

The following is a description of the company's main business and the impact of each activity on the size of its business:

The company's main business is to generate, transfer and distribute electricity, and services it provides to customers. It develops inter-generation sales, transmission, distribution, and customer services. Revenues from the sale of electricity to the final consumer are now calculated according to the official tariff set by the State.

The distribution and customer services activity with the collaboration of the finance activity, collect electricity sales revenues from different consumer groups. The following table shows the ratio of the fixed assets to each of the fixed assets of the company's activities and the volume of operating expenses for each of the operating expenses of the company:

Activity	Percentage of fixed assets	Percentage of operating expenses
Generation	30%	39%
National Grid SA	40%	36%
Distribution and customers' services	24%	20%
Support organizational activities	6%	5%
Total	100%	100%

The following is a description of the nature of the activities and subsidiaries and their most important achievements:

C) Remunerations of Senior Executives (Including the CEO and CFO):

Fixed remunerations						Variable remunerations				End of Service Benefits	Total remunerations of Executives if any	Grand total
Salaries	Allowances	In-kind benefits	Total	Periodical remunerations	Earnings	Short-term motivational plans	Long-term motivational plans	Value of granted shares	Total			
6,431,837.67	2,334,115.26	–	8,765,952.93	5,304,265.78	–	–	–	–	5,304,265.78	–	–	14,070,218.71

2- Summary of Financial Results:

The following is a statement on the company's balance sheet and income statement. The following tables illustrate the assets' and liabilities' details, shareholders' equity, income and expenses, and net income for the fiscal year 2019, compared to the previous four financial years (more details can be found in the accompanying financial statements and their accompanying explanations):

A) Balance Sheet Statement:

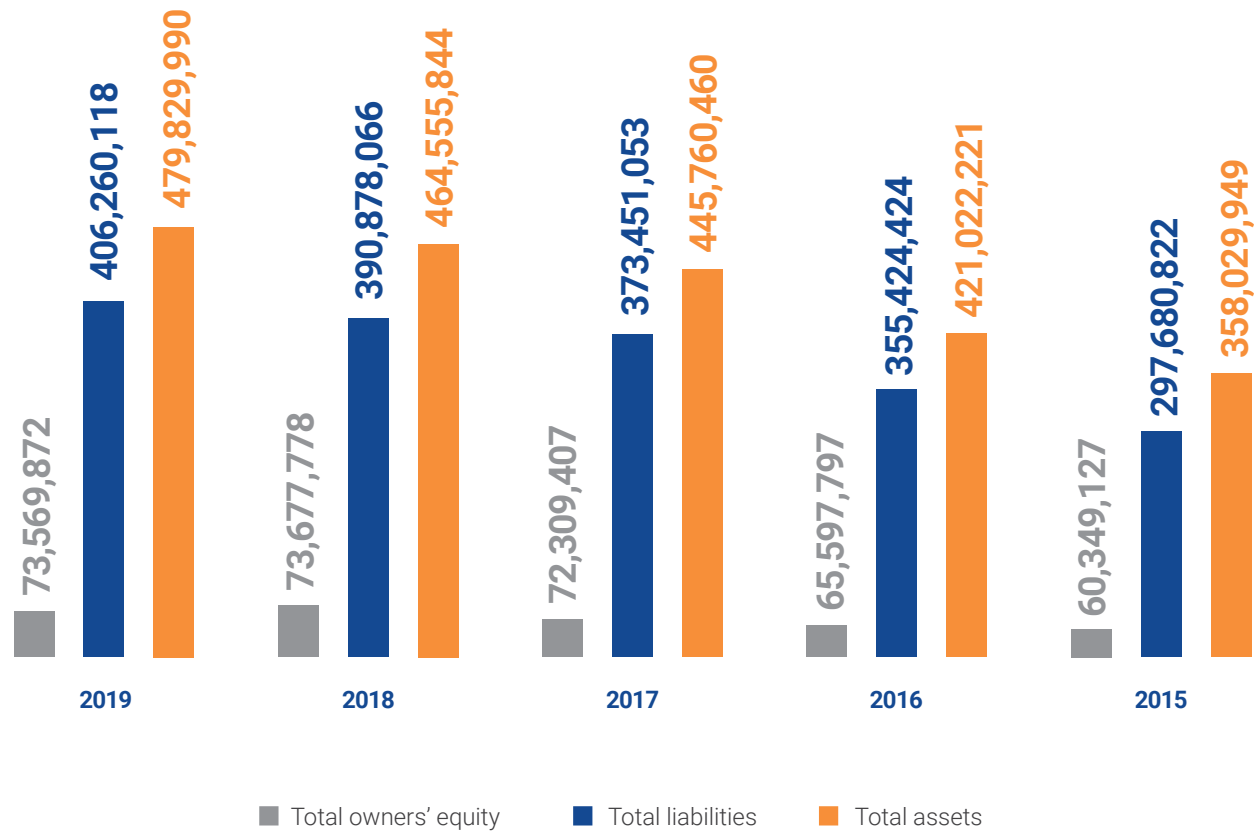
Figures in thousand Riyals

Statement	2019	2018	2017	2016	2015
Current assets	53,848,319	43,602,873	38,627,705	44,101,740	38,747,458
Other long-term assets	3,012,697	2,850,946	2,843,219	2,911,089	89,288,722
Net fixed assets	422,968,974	418,102,025	404,289,536	374,009,392	229,993,769
Total assets	479,829,990	464,555,844	445,760,460	421,022,221	358,029,949
Current liabilities	165,029,519	160,776,342	151,718,123	158,338,112	62,691,531
Long-term loans and instruments	91,763,786	88,178,140	85,003,765	69,450,875	57,207,444
Other liabilities	149,466,813	141,923,584	136,729,165	127,635,437	177,781,847
Total liabilities	406,260,118	390,878,066	373,451,053	355,424,424	297,680,822
Paid-up capital	41,665,938	41,665,938	41,665,938	41,665,938	41,665,938
Reserves and retained earnings	31,903,934	32,011,840	30,643,469	23,931,859	18,683,189
Owners' equity	73,569,872	73,677,778	72,309,407	65,597,797	60,349,127
Total liabilities and owners' equity	479,829,990	464,555,844	445,760,460	421,022,221	358,029,949

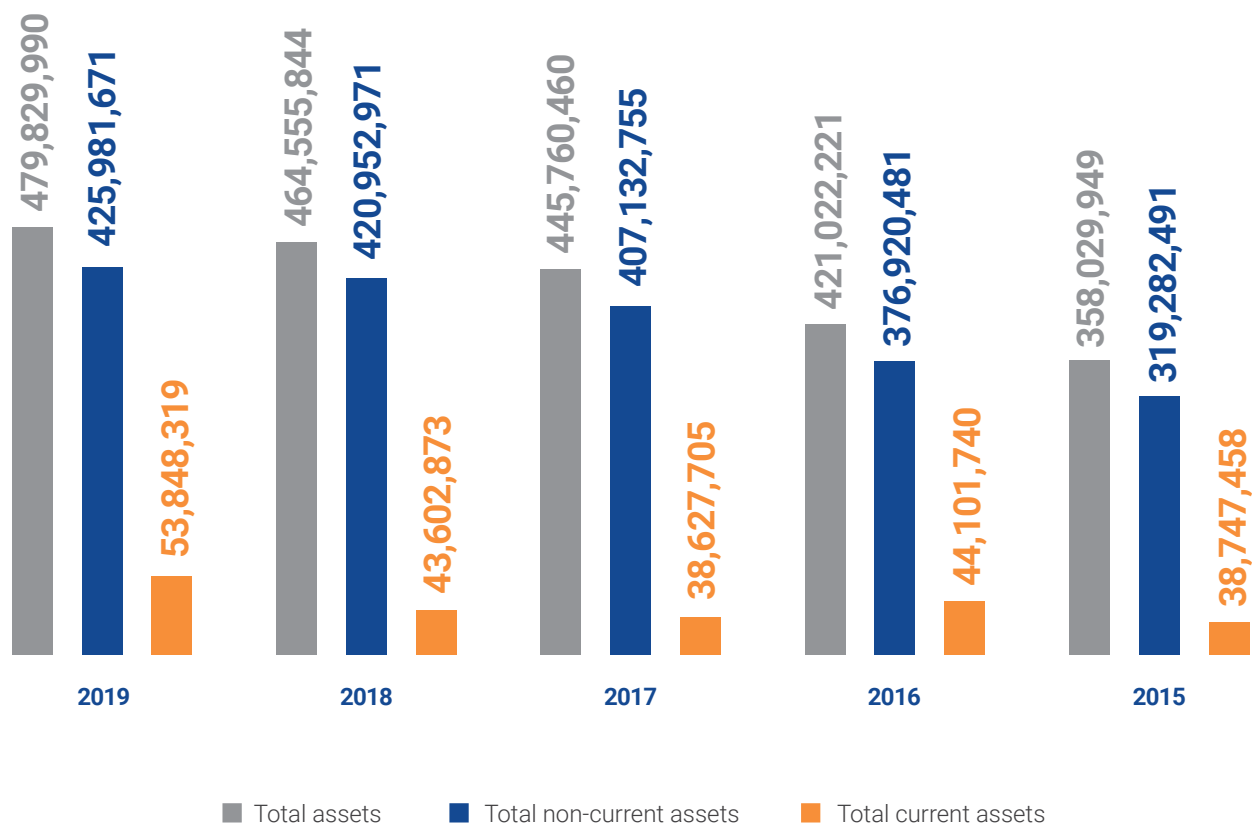
- The financial statements for the years 2019, 2018, 2017 and 2016 are prepared in accordance with International Financial Reporting Standards (IFRS).
- The financial statements for the year 2015 are prepared according to the Saudi Organization for Certified Public Accountants (SOCPA).

Figures in thousand Riyals

Comparison of Assets with Liabilities and Owners' Equity
During the years 2015 - 2019



Comparison of Current Assets and Non-Current Assets with Total Assets During the years 2015 - 2019



Comparison of Assets and Owners' Equity during the years 2015 – 2019

Figures in thousand Riyals

	2019	2018	2017	2016	2015
Total assets	479,829,990	464,555,844	445,760,460	421,022,221	358,029,949
Total liabilities	406,260,118	390,878,066	373,451,053	355,424,424	297,680,822
Total owners' equity	73,569,872	73,677,778	72,309,407	65,597,797	60,349,127

Comparison of Current Assets and Non-Current Assets with Total Assets during the years 2015 – 2019

Figures in thousand Riyals

	2019	2018	2017	2016	2015
Total current assets	53,848,319	43,602,873	38,627,705	44,101,740	38,747,458
Total non-current assets	425,981,671	420,952,971	407,132,755	376,920,481	319,282,491
Total assets	479,829,990	464,555,844	445,760,460	421,022,221	358,029,949

Comparison of Operating Revenues and Expenses and Net Income during the years 2015 – 2019

Figures in thousand Riyals

	2019	2018	2017	2016	2015
Operating revenues	65,040,000	64,063,638	50,684,906	49,860,998	41,538,732
Operating expenses	60,160,408	59,484,056	45,435,712	44,069,046	39,945,888
Net profit (loss) for the period	1,387,557	1,757,133	6,908,249	4,545,257	1,543,642

B) Income Statement:

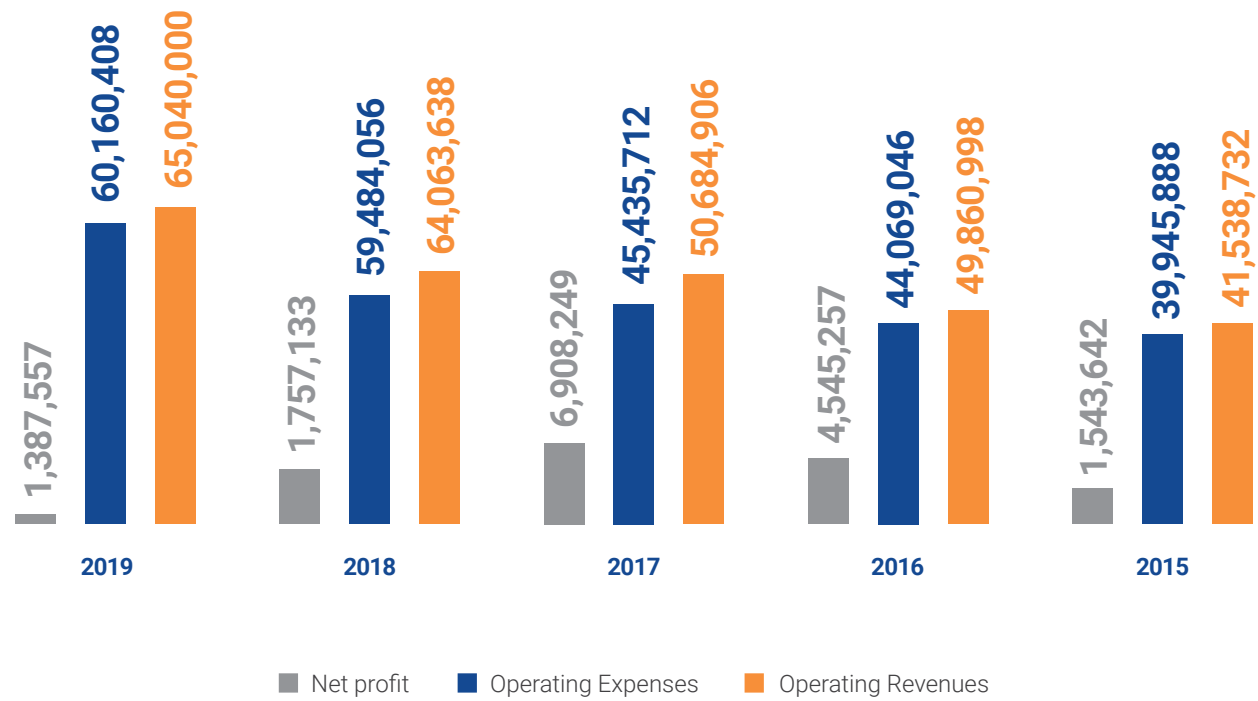
Figures in thousand Riyals

Description	2019	2018	2017	2016	2015
Operating revenues	65,040,000	64,063,638	50,684,906	49,860,998	41,538,732
Cost of sales	(58,915,883)	(58,144,024)	(43,995,312)	(43,008,530)	(38,953,467)
Gross profit	6,124,117	5,919,614	6,689,594	6,852,468	2,585,265
Administrative and general expenses	(1,244,525)	(1,340,032)	(1,440,400)	(1,060,516)	(992,421)
Total operating expenses	(60,160,408)	(59,484,056)	(45,435,712)	(44,069,046)	(39,945,888)
Human Resources Productivity Improvement Program	0	0	(2,829,155)	(110,257)	0
Exemptions from municipal debts	0	0	6,119,546	0	0
Other revenues, net	1,655,738	1,436,021	1,465,097	978,895	0
Operating income	6,535,330	6,015,603	10,004,682	6,660,590	1,592,844
Reverse of provision for doubtful debts	0	0	0	0	0
Non-recurring revenues (expenses)	0	0	0	0	201,513
Financing expenses, net	(4,886,933)	(4,136,617)	(2,752,144)	(2,053,806)	0
Other revenues and expenses, net	0	0	0	0	(250,715)
Share in the investments loss in the equity-accounted companies	(40,229)	(62,338)	(108,876)	(59,835)	0
Zakat and income tax expenses	(220,611)	(59,515)	(235,413)	(1,692)	0
Net profit	1,387,557	1,757,133	6,908,249	4,545,257	1,543,642

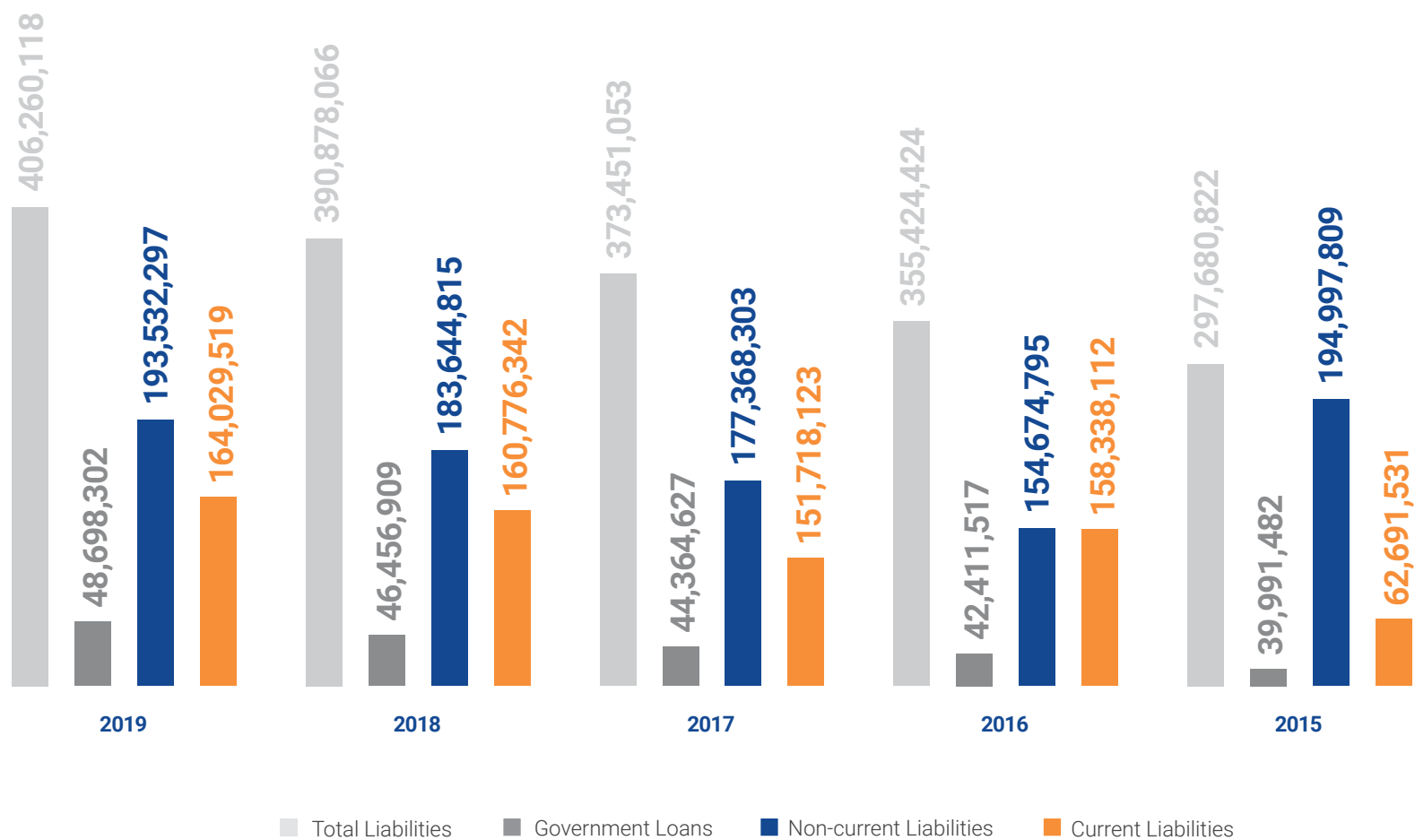
- The financial statements for the years 2019, 2018, 2017 and 2016 are prepared in accordance with International Financial Reporting Standards (IFRS).
- The financial statements for the year 2015 are prepared according to the Saudi Organization for Certified Public Accountants (SOCPA).

Figures in thousand Riyals

Revenues, Operating Expenses and Net Income During the years 2015 - 2019



Comparison of Current Assets and Non-Current Assets with Total Assets During the years 2015 - 2019



Comparison of Current Liabilities and Non-Current Liabilities and Government Loans with Total Liabilities during the years 2015 – 2019**Figures in thousand Riyals**

	2019	2018	2017	2016	2015
Total current liabilities	164,029,519	160,776,342	151,718,123	158,338,112	62,691,531
Total non-current liabilities	193,532,297	183,644,815	177,368,303	154,674,795	194,997,809
Government loans	48,698,302	46,456,909	44,364,627	42,411,517	39,991,482
Total liabilities	406,260,118	390,878,066	373,451,053	355,424,424	297,680,822

3- Geographical Analysis of the Company's Revenues:

The company operates in all regions of the Kingdom, and the following table shows a geographical analysis of electricity sales by region (sectors) in which the company operates: **Figures in thousand Riyals**

Year	Description	Business Region				Total
		Central	Eastern	Western	Southern	
2019	Electricity Sales	18,611,821	16,222,644	17,825,944	6,204,316	58,864,725
2018	Electricity Sales	18,752,377	16,508,094	18,358,051	6,004,932	59,623,454

4- Clarification of Any Material Differences in the Operating Results from the Previous Year's Results or any Expectations Announced by the Company: Figures in thousand Riyals

Description	2019	2018	Changes +/-	Percentage of change
Sales/Revenues	65,040,000	64,063,638	976,362	2
Operating expenses	(60,160,408)	(59,484,056)	(676,352)	1
Other revenues, net	1,655,738	1,436,021	219,717	15
Net operating profit	6,535,330	6,015,603	519,727	9
Financing costs, net	(4,886,933)	(4,136,617)	(750,316)	18
Share in the investments loss in the equity-accounted companies	(40,229)	(62,338)	22,109	(35)
Zakat expense and income tax	(220,611)	(59,515)	(161,096)	271
Net profit	1,387,557	1,757,133	(369,576)	(21)

5- Clarification of Any Difference from the Accounting Standards Adopted by the Saudi Organization for Certified Public Accountants:

The company's financial statements were prepared according to the applicable accounting standards in the Kingdom and the other rules and standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

6- Subsidiaries and Investees:

The company owns shares/quotas in the capital of each of the subsidiaries and investees as per the following table:

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
1	Gulf Cooperation Council Interconnection Authority	Kingdom of Saudi Arabia	Gulf Arab States	US\$1,407,000,000	Transferring power between member states.	31.6%
2	Electricity Sukuk Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 500,000	Providing the service and support needed for Sukuk and bonds issued by the Saudi Electricity Company.	100%
3	Dawiyat Telecom Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 50,000,000	Establishing, leasing, managing, and operating electricity and fiber optic networks to provide telecommunication services.	100%
4	National Grid S.A.	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 10,000,000,000	Transmitting electricity, operating, controlling, and maintaining power systems, and leasing line capacities of transmission networks.	100%
5	Dhuruma Electricity Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 4,000,000	Developing, establishing, owning, operating, and maintaining the Dhuruma project for electricity production in Riyadh area.	50%
6	Hajr Electricity Production Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 2,506,230,000	Owning, generating, producing, transmitting, and selling electricity in the Qurayyah project in the eastern region.	50%
7	Rabigh Electricity Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 923,750,000	Developing, establishing, owning, operating, and maintaining the Rabigh project in Holy Makkah region.	20%
8	Al-Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,403,850,000	Developing, establishing, owning, operating, and maintaining the Rabigh-2 project in Holy Makkah region.	50%

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
9	Saudi Electricity Company for Projects Development	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 5,000,000	Managing construction projects, setting detailed designs, purchasing materials, and implementing projects in the power sector.	100%
10	GCC Electrical Testing Laboratory Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 360,000,000	Production of transformers, electrical generators and control devices for power plants, high pressure cables and lines, and equipment selection devices.	25%
11	Al-Fadhili Cogeneration Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,500,000	Co-generation activity of metal-free water and steam used for industrial purposes, generating, storing and selling of electrical power, steam and metal-free water, and owning, developing and funding the establishment and maintenance of the cogeneration plant.	30%
12	Green Saudi for Carbon Services Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,000,000	Developing and managing the carbon emission reduction systems and programs, the clean development mechanism projects in accordance with international and regional protocols, and related local regulations, for its benefit or for the benefit of others, and to run the activities of the business of carbon emission reduction certificates issued by emission reduction programs and registering it for its benefit or for third parties benefit in the global, regional and local markets.	51%
13	Saudi Power Procurement Company	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 2,000,000	Carrying out the activity of the main buyer in accordance with the terms of the license issued by the Electricity and Cogeneration Regulatory Authority, which includes the introduction of electricity generation projects, sale and signing the necessary agreements, and the purchase of fuel to achieve the company's goals and supply it to the producers who signed agreements with the company to convert energy and import and export electric power to people outside the Kingdom according to the method or issued rules.	100%

No.	Subsidiaries and Investees	Place of Incorporation	Place of Activity	Paid-up Capital	Activity	Ownership Percentage
14	Integrated Dawiyat Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	SR 1,000,000	Establishing, leasing and operating telecommunications networks, transmitting, owning and developing telecommunications, providing communications services, data transmission and complete information technology to individuals, public and private institutions. To achieve this, the company has to carry out all the work related to its activities, such as selling, purchasing, renting, leasing fixed and movable assets, as well as establishing the infrastructure necessary to carry out its activities.	100%
15	Saudi Electricity Global Sukuk Company	Cayman Islands	Cayman Islands	One Dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuk.	100%
16	Saudi Electricity Global Sukuk Company 2	Cayman Islands	Cayman Islands	One Dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuk.	100%
17	Saudi Electricity Global Sukuk Company 3	Cayman Islands	Cayman Islands	One Dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuk.	100%
18	Saudi Electricity Global Sukuk Company 4	Cayman Islands	Cayman Islands	One Dollar	A company operating as a special purpose entity to provide services and support for the issuance of global Sukuk.	100%

7- Details of Shares and Debt Instruments Issued by Each Affiliate and Investee:

No.	Name of subsidiary and investee	Numbers of Shares/Quotas	Debt Instruments
1	Gulf Cooperation Council Interconnection Authority	1,407,000 shares	None
2	Electricity Sukuk Company	10,000 quotas	Sukuk 3 for the amount of SR 5.73 billion Sukuk 4 for the amount of SR 4.5 billion
3	Dawiyat Telecom Company	5,000,000 quotas	None
4	National Grid S.A.	200,000,000 quotas	None
5	Dhuruma Electricity Company	400,000 shares	None
6	Hajr Electricity Production Company	250,623,000 shares	None
7	Rabigh Electricity Company	92,375,000 shares	None
8	Al-Mourjan for Electricity Production Company	1,000,000 shares	None
9	Saudi Electricity Company for Projects Development	100,000 quotas	None
10	GCC Electrical Testing Laboratory Company	36,000,000 shares	None
11	Al-Fadhili Cogeneration Company	150,000 quotas	None
12	Green Saudi for Carbon Services Company	1,000,000 quotas	None
13	Saudi Power Procurement Company	200,000 quotas	None
14	Integrated Dawiyat Company for Telecommunications and Information Technology	100,00 quotas	None
15	Saudi Electricity Global Sukuk Company	1 quota	US\$1.75 billion
16	Saudi Electricity Global Sukuk Company 2	1 quota	US\$2 billion
17	Saudi Electricity Global Sukuk Company 3	1 quota	US\$2.5 billion
18	Saudi Electricity Global Sukuk Company 4	1 quota	US\$2 billion

8- Information Related to the Company's Loans:

A) Statement of Commercial Loans as of 31/12/2019:

The following table shows the details of debt at the end of 2019 for the purpose of spending on capital projects:

Figures in thousand Riyals

Statement	Total Value of Loans Principal	Loan Date	Due Date	Loans Balance at the Beginning of the Period as of 01/01/2019	Loans Withdrawals During the Year	Actual Loans Repayments during the year	Loans Balance at the End of the Period as of 31/12/2019
Murabaha loan (I) with the participation of a number of entities	6,000,000	2008	2020	818,182	–	545,454	272,727
Murabaha loan (II) with the participation of a number of entities	5,000,000	2010	2025	2,691,200	–	384,800	2,306,400
Murabaha loan (III) with the participation of a number of entities	10,000,000	2016	2025	9,466,667	–	1,352,381	8,114,286
Murabaha loan (IV) with the participation of a number of entities	15,200,000	2019	2026	–	8,800,000	–	8,800,000
Direct loan from the Public Investment Fund	2,583,375	2009	2024	1,186,287	–	214,938	971,349
Direct loan from the Industrial and Commercial Bank of China	5,625,710	2016	2021	4,687,971	–	1,875,250	2,812,721
Direct loan from Export/Import U.S. and Canadian Banks	4,057,417	2010	2021	871,179	–	362,696	508,483
Direct loan with the participation of a number of entities and with bank guarantee from Bpifrance Assurance Export	3,709,125	2011	2024	1,588,302	–	309,164	1,279,138
Loan with the participation of a number of entities and with the guarantee and the participation of Korean Export Banks Rabigh 6	5,251,120	2012	2026	3,500,575	–	437,527	3,063,048
Loan with the participation of a number of entities and with the guarantee and the participation of Korean and Japanese Export Banks South Jeddah ECA	7,240,715	2013	2028	5,895,054	–	603,349	5,291,705

Statement	Total Value of Loans Principal	Loan Date	Due Date	Loans Balance at the Beginning of the Period as of 01/01/2019	Loans Withdrawals During the Year	Actual Loans Repayments during the year	Loans Balance at the End of the Period as of 31/12/2019
Loan with the participation of a number of entities and with the guarantee and the participation of Export-Import Bank of Korea (KEXIM)	3,375,585	2016	2029	3,094,316	–	281,293	2,813,023
Loan with the participation of a number of entities and with the guarantee of Export-Import Bank of Korea (KSURE)	1,575,336	2016	2029	1,444,077	–	131,273	1,312,804
Revolving loan with the participation of a number of entities (Dollar Tranche)	8,066,263	2018	2023	–	8,066,263	–	8,066,263
An international joint credit agreement (with the participation of a number of entities)	9,750,520	2018	2019	2,247,020	–	2,247,020	It was fully paid on the maturity date
Local bilateral loan 4	1,500,000	2017	2020	1,125,000	–	750,000	375,000
Local bilateral loan 5	1,300,000	2017	2021	1,083,333	–	433,333	650,000
Local bilateral loan 6	3,500,000	2017	2022	3,062,500	–	437,500	2,625,000
Local bilateral loan 7	2,400,000	2018	2024	2,400,000	–	–	2,400,000
Local bilateral loan	1,850,000	2019	2029	–	1,850,000	–	1,850,000
International bilateral loan	6,562,878	2017	2022	6,562,878	–	–	6,562,878

- The company signed short-term commercial loans for 12 months with several local banks used for operating expenses totaling SR 4 billion by the end of 2019, and the balance withdrawn from it reached SR 3.5 billion by the end of 2019.
- During 2019, the company paid commercial payments facilities in Saudi Riyals in the amount of SR 495 million.
- The amortized portion of prepaid order and issuance expenses will be deducted by SR 382.9 million.

B) Statement of “Sukuk” Issues as of 31/12/2019:**Figures in thousand (Riyal/Dollar as shown in the statement)**

Statement	Issue size	Issue date	Sukuk repayments during the year	Total value of the issues after modification	Maturity date
Local Sukuk (3 rd Issue) in Saudi Riyals*	5,730,690	2010	–	No modification	2030 with the right of early redemption in 2022, 2024, 2026
Local Sukuk (4 th Issue) in Saudi Riyals	4,500,000	2014	–	No modification	2054 with the right of early redemption in 2024, 2034, 2044
International Sukuk (US\$1,250 million)	4,687,850	2012	–	No modification	2022
International Sukuk (US\$1,000 million)	3,750,750	2013	–	No modification	2023
International Sukuk (US\$1,000 million)	3,750,750	2013	–	No modification	2043
International Sukuk (US\$1,500 million)	5,625,600	2014	–	No modification	2024
International Sukuk (US\$1,000 million)	3,750,400	2014	–	No modification	2044
International Sukuk (US\$800 million)	3,000,800	2018	–	No modification	2024
International Sukuk (US\$1,200 million)	4,501,200	2018	–	No modification	2028

C) Statement of Government Loans as of 31/12/2019:

Figures in thousand Riyals

Statement	Total value of loans principal	Loan date	Maturity date	Loans balance at the beginning of the period as of 1/1/2019	Loans withdrawals during the year	Loans repayments during the year	Loans balance at the end of the period as of 31/12/2019	Recorded as difference between received and current values
Government loan (resulting from the clearing)	14,938,060	Since the company's establishment	–	14,938,060	–	–	14,938,060	–
Ministry of Finance Good faith loan from the state (1)	15,000,000	2010	2034	15,000,000	–	–	15,000,000	(5,593,441)
Ministry of Finance Good faith loan from the state (2)	51,100,000	2011	2036	38,325,000	–	–	38,325,000	(20,226,166)
Ministry of Finance Good faith loan from the state (3)	49,400,000	2014	2038	16,075,000	–	–	16,075,000	(9,820,155)
Total	130,438,060			84,338,060	–	–	84,338,060	(35,639,762)

* The government loan to the company is reflected in the financial statements at real value in accordance with relevant accounting standards.
The difference between the received and current values is recognized in the deferred government grants.

9- Description of Any Transaction between the Company and a Related Party:

Transactions with related parties

The ultimate controlling party of the Group is the Government of the Kingdom of Saudi Arabia through its ownership of the Public Investment Fund, Saudi Aramco, the Saline Water Conversion Corporation (where the latter are under the final control of the Government of Saudi Arabia), as well as independent energy producers and the companies invested in. The following is a statement of the most important transactions with the related parties:

A) Electric energy sales:

In thousand Riyals

For the year ended		
	31 December 2019	31 December 2018
Sales of electric energy:		
Ultimate controlling party of the Group	12,863,475	12,753,544
Entities controlled by the ultimate controlling party of the Group		
Saudi Aramco	428,852	333,689
Saline Water Conversion Corporation	533,452	651,812
	13,825,779	13,739,045

B) Purchase of energy and fuel:

In thousand Riyals

For the year ended		
	31 December 2019	31 December 2018
Entities controlled by the ultimate controlling party of the Group		
Saudi Aramco	8,858,565	6,670,876
Saline Water Conversion Corporation	290,152	570,566
Joint operations		
Dhuruma Electricity Company	638,454	563,849
Rabigh Electric Company	753,390	908,292
Hajr Electricity Production Company	734,679	713,019
Al-Mourjan for Electricity Production Company	387,319	422,415
	11,662,559	10,849,017

The Group purchases fuel and energy from Saudi Aramco and energy from the Saline Water Conversion Corporation at prices stipulated by government decisions. Energy purchases from joint operations have been processed in accordance with contracts signed with each of these companies.

C) End-of-period balances resulting from electric energy sales/energy and fuel purchases/loans:

In thousand Riyals

For the year ended		
	31 December 2019	31 December 2018
Dues from related parties:		
Ultimate controlling party of the Group – electricity consumers' receivables	27,878,902	16,350,324
Entities controlled by the ultimate controlling party of the Group		
Saudi Aramco – electricity consumers' receivables	1,438,355	2,029,505
Saline Water Conversion Corporation – electricity consumers' receivables	1,542,281	615,995
Loan of Al-Fadhili cogeneration company	253,874	–
Total dues from related parties	31,113,412	18,995,824

For the year ended		
	31 December 2019	31 December 2018
Dues to related parties:		
Ultimate controlling party of the Group – government payables		
Government payables	92,495,037	92,494,578
Total dues to related parties	92,495,037	92,494,578
Net of dues to entities controlled by the ultimate controlling party of the Group		
Saudi Aramco*	18,272,055	9,675,125
Saline Water Conversion Corporation	515,354	606,774
	18,787,409	10,281,899

*Payables include the fuel balance used by the company and fuel used by independent energy production and purchased energy companies.

Loans and grants from related parties

	For the year ended	
	31 December 2019	31 December 2018
Loans and grants from government:		
Ultimate controlling party of the Group		
Government loans	48,698,302	46,456,909
Deferred government grants	43,665,327	44,539,395
Public Investment Fund loan	971,349	1,186,287
	93,334,978	92,182,591

10- A Statement of the Value of Statutory Payments Due and Payable for the Payment of any Zakat, Taxes, Fees or any Other Entitlements, which have not been Paid until the End of the Annual Fiscal Period, with a Brief Description and a Statement about them and the Reasons thereof:

The table below shows the value of receivables to regulatory or supervisory bodies in the country:

Statement	Thousands of Saudi Riyals	
	2019	2018
Custom fees	14,150	10,991
Zakat and tax	31,685	10,952
General Organization for Social Insurance	698,020	976,908
Other	26,396	33,198
Total	770,251	1,032,049

11- A Statement of the Value of any Investments or Reserves Established for the Benefit of the Company's Employees:

A) Savings Program:

The company has created an optional system of savings to motivate employees and enhance their loyalty and belonging to the company. This contributes to raising the level of performance, attracting qualified Saudi cadres and motivating them to continue serving the company, as well as helping the Saudi employee to collect his savings and benefit from these savings upon retirement or service termination. The company allocates a portion of the employee's salary to invest it optionally for the benefit of the employee who joined the program. The company chooses suitable areas to invest the program's funds in accordance with the terms of Islamic investment and in low risk portfolios.

The company contributes 100% of the employee's monthly contribution and credits it to his account. The employee's entitlement is calculated according to the company's principles starting from 10% upon the completion of the first year of subscription and up to 100% upon completion of the tenth year of participation. The employee's entitlements are calculated from this participation in case the subscription ends in accordance with the statutory regulations. The following is an explanation of the change in the contribution of the employees participating in the program, as well as the company's contribution during the year:

Statement	Employee's contribution	Entitlements to the employees from the company's contribution
Balance at the beginning of the year	547,353,873	555,836,998
Net added/excluded during 2019	48,868,815	108,538,607
Balance at the end of the year	596,222,689	664,375,605

Consolidated Financial Statements

Saudi Electricity Company



Index

103	Independent auditor's report
106	Consolidated statement of financial position
109	Consolidated statement of income
110	Consolidated statement of other comprehensive income
111	Consolidated statement of changes in equity
112	Consolidated statement of cash flows
115	Notes to the consolidated financial statements



Riyadh Front, Airport road
P. O. Box 92876, Riyadh 11663, Kingdom of Saudi Arabia
Telephone: +966 11 874 8500, Fax: +966 11 874 8600
Website: www.kpmg.com/sa
Licence No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the Shareholder of Saudi Electricity Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Saudi Electricity Company ("the Company") and its subsidiaries (collectively referred to as "the Group") (A Saudi Joint Stock), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of Income and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as 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 professional code of conduct and ethics that are 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

key audit matter

Impairment of electricity receivables

Refer to Note 17 of the accompanying notes to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
At 31 December 2019, gross electricity receivables amounted to SR 46.4 billion against an impairment of SR 1.5 billion. In accordance with the requirements of IFRS 9 (Financial Instruments), the Group has applied expected credit loss model to account for the impairment of electricity receivables value .	Among other things, we performed the following procedures: - Assessed the design and implementation and tested the operational effectiveness of the key management controls regarding electricity' receivable balances which also includes impairment of electricity receivables. - Assessed the methodology, assumption and estimates used in expected credit loss models including forward looking expectations. - Assessed the completeness and accuracy of the receivables aging report. - Inspected a sample of electricity receivable balances against which provision has been recognized during the year to assess the reasonableness of estimates used by the management of the Group. - Inspected a sample of electricity receivables collected subsequent to the date of the financial statements, including discussions held with the management and any correspondences with major clients on expected dates of payment. - Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.
The application of the expected credit loss model to account for the impairment of electricity receivables was considered a key audit matter, as the determination of the impairment of electricity receivables using the expected credit loss models includes significant judgments and estimates that might have a material impact on the consolidated financial statements of the Group.	

key audit matter	
Recognition of electricity revenue	
Refer to Note 39 of the accompanying notes to the consolidated financial statements	
The key audit matter	How the matter was addressed in our audit
The Group applies IFRS 15 (Revenue from Contracts with Customers).	Among other things, we performed the following procedures:
For the year ended 31 December 2019, the Group recognized an amount of SR 58.9 billion as revenue from selling electricity	Assessed the design and implementation and tested the operational effectiveness of the internal controls relevant to management controls over electricity revenue recognition.
Revenue from selling electricity is recognized upon the issuance of invoices to consumers based on their consumption of the electricity.	Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases.
Unbilled electricity revenue which has not been invoiced up to the date of the consolidated financial statements is recognized using estimates, assumptions and internal policies that are significantly based on the management experience.	Assessed the management's estimates relating to effect of using judgments and assumptions used for the revenue recognized during the year.
Revenue is considered one of the key indicators for measuring the performance of the Group. Accordingly, there are inherent risks regarding the possibility of revenue overstatements.	Tested a sample of journal entries of accounts relating to significant risk areas identified for material misstatements and compared them to the supporting documents.
Revenue recognition is considered one of the key audit matters, due to the significance of revenue amount and the inherent risks in overstating the revenue amount and the existence of significant estimates relating to the calculation of unbilled electricity revenue, which might have significant impact on the consolidated financial statements of the Group.	Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Application of IFRS 16 'Leases'

Refer to Note 3-1 & 10 of the accompanying notes to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
As described in Note 3.1 to the consolidated financial statements and effective from 1 January 2019, the Group has adopted IFRS 16 'Leases' which replaces the provisions of IAS 17 'Leases'.	Among other things, we performed the following relevant procedures:
As at 31 December 2019, right-of-use assets amounted to SR 245,4 million and lease commitments amounted to SR 248,5 million.	Assessed the design and implementation and tested the operational effectiveness of the key controls relevant to management controls over the application of IFRS 16.
The adoption of IFRS 16 including the recognition of the related assets and liabilities and assessing whether a contract involves a lease or not is considered as a key audit matter, given that the assessment of leases includes material judgments and estimates that might have a material impact on the consolidated financial statements of the Group.	- Obtained an understanding of the differences between requirements of the application of IAS 17 and IFRS 16. - Inspected a sample of contracts to determine whether they involve a lease at the date of initial adoption and compared them to supporting documents. - Assessed the management's estimates relating to effect of using judgments and assumptions on recognition of right-of-use assets and lease liabilities relating to the lease contracts. - Tested validity of adjustments resulting from the transition to adoption of IFRS 16. - Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants


Dr. Abdullah Hamad Al Fozan
License No. 348

Date: 9 Rajab 1441H
Corresponding to: 4 March 2020

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment, net	9	422,968,974	418,102,025
Right of use assets	10 - A	245,362	-
Investment properties	11	455,772	535,144
Intangible assets, net	12	502,602	478,694
Equity accounted investees	13	1,427,682	1,473,815
Financial assets at amortised cost	14	38,381	42,634
Financial assets through other comprehensive income	15	325,075	299,365
Deferred tax assets	34 - 3	17,823	21,294
Total non-current assets		425,981,671	420,952,971
Current assets			
Inventories, net	16	5,055,914	4,745,394
Electricity receivables, net	17	44,884,004	35,131,473
Debit balances and advances	18	720,823	694,899
Prepayments and other receivables	19	1,269,274	601,894
Cash and cash equivalents	20	1,918,304	2,429,213
Total current assets		53,848,319	43,602,873
Total assets		479,829,990	464,555,844

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Equity and liabilities			
Equity			
Share capital	21	41,665,938	41,665,938
Statutory reserve	23	3,850,811	3,712,055
General reserve	23	702,343	702,343
Other reserves		(32,562)	713,609
Retained earnings	22	27,383,342	26,883,833
Total equity		73,569,872	73,677,778
Liabilities			
Non-current liabilities			
Long term loans	32 - 2 - 1	52,474,050	48,888,978
Sukuk	32 - 2 - 2	39,289,736	39,289,162
Long term loans from Government	32 - 2 - 3	47,698,302	46,456,909
Employees' benefits obligation	24	6,580,336	6,062,992
Long term deferred revenue	25	50,150,583	44,039,742
Deferred government grants	26	43,665,327	44,539,395
Derivative financial instruments	32 - 3	572,591	268,035
Asset retirement obligations	27	268,262	258,534
Deferred tax liability	34 - 3	426,757	297,977

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of financial position as at 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Non-current portion of lease liabilities	10 - b	104,655	-
Total non-current liabilities		241,230,599	230,101,724
Current liabilities			
Short term loans and facilities	32 - 2	20,179,264	22,943,659
Trade payables	28	22,424,873	17,050,314
Accruals and other payables	29	12,749,282	12,834,839
Provision for other liabilities and charges	30	304,153	335,341
Customer refundable deposits		1,997,932	1,993,524
Government payables	31	92,495,037	92,494,578
Advance from customers	33	12,748,355	11,410,789
Current portion of deferred revenue	25	1,925,592	1,688,598
Current portion of lease liabilities	10 - B	143,820	-
Derivative financial instruments	32 - 3	61,211	24,700
Total current liabilities		165,029,519	160,776,342
Total liabilities		406,260,118	390,878,066
Total equity and liabilities		479,829,990	464,555,844

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of income for the year ended 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Operating revenue	39	65,040,000	64,063,638
Cost of revenue	40	(58,915,883)	(58,144,024)
Gross profit		6,124,117	5,919,614
Other income, net	42	1,655,738	1,436,021
General and administrative expenses	41	(1,244,525)	(1,340,032)
Operating income for the year		6,535,330	6,015,603
Finance income		30,503	16,116
Finance expense		(4,917,436)	(4,152,733)
Finance costs, net	43	(4,886,933)	(4,136,617)
Share of loss on equity accounted investees	13	(40,229)	(62,338)
Income for the year before zakat and tax		1,608,168	1,816,648
Zakat and tax expenses	34 - 1	(79,883)	(9,741)
Deferred tax expenses	34 - 1	(140,728)	(49,774)
Net income for the year		1,387,557	1,757,133
Earnings per share (Expressed in SR)			
Basic and diluted earnings per share	37	0.33	0.42

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of other comprehensive income for the year ended 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 December 2019	31 December 2018
Net profit for the year		1,387,557	1,757,133
Other comprehensive income:			
Items that may be reclassified subsequently to statement of income:			
Change in fair value of available-for-sale financial assets	45 - 3	25,710	(6,257)
Cash flow hedges – effective portion		(345,149)	58,303
Total items that may be reclassified to statement of income		(319,439)	52,046
Items that will not be reclassified subsequently to statement of income:			
Re-measurement of employees' benefits obligation	24 - 1	(426,732)	554,666
Total items that will not be reclassified to statement of income		(426,732)	554,666
Other comprehensive (loss) / income for the year		(746,171)	606,712
Total comprehensive income for the year		641,386	2,363,845

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Consolidated statement of changes in equity for the year ended 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Other reserves				Retained earnings	Total equity
				Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserves		
Balance at 1 January 2018	41,665,938	3,543,579	696,294	(349,527)	423,432	32,992	106,897	25,842,428	71,855,136
Net profit for the year	-	-	-	-	-	-	-	1,757,133	1,757,133
Other comprehensive income	-	-	-	58,303	554,666	(6,257)	606,712	-	606,712
Total comprehensive income	-	-	-	58,303	554,666	(6,257)	606,712	1,757,133	2,363,845
Dividends paid to shareholders relating to 2017 (note 22)	-	-	-	-	-	-	-	(547,252)	(547,252)
Transfer to statutory reserves	-	168,476	-	-	-	-	-	(168,476)	-
Transfer to general reserves	-	-	6,049	-	-	-	-	-	6,049
Total transactions with contributors in their capacity as owners	-	168,476	6,049	-	-	-	-	(715,728)	(541,203)
Balance at 31 December 2018	41,665,938	3,712,055	702,343	(291,224)	978,098	26,735	713,609	26,883,833	73,677,778
Net profit for the year	-	-	-	-	-	-	-	1,387,557	1,387,557
Other comprehensive loss	-	-	-	(345,149)	(426,732)	25,710	(746,171)	-	(746,171)
Total comprehensive income	-	-	-	(345,149)	(426,732)	25,710	(746,171)	1,387,557	641,386
Dividends paid to shareholders relating to 2018 (note 22)	-	-	-	-	-	-	-	(749,292)	(749,292)
Transfer to statutory reserve	-	138,756	-	-	-	-	-	(138,756)	-
Total transactions with contributors in their capacity as owners	-	138,756	-	-	-	-	-	(888,048)	(749,292)
Balance at 31 December 2019	41,665,938	3,850,811	702,343	(636,373)	551,366	52,445	(32,562)	27,383,342	73,569,872

The accompanying notes from 1 to 47 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 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

Cash flows from operating activities	31 December 2019	31 December 2018
Net profit for the year before zakat and tax	1,608,168	1,816,648
Adjustments for:		
Depreciation of property, plant and equipment	18,655,224	16,848,563
Depreciation of investment property	2,669	-
Amortization of intangible assets	56,070	87,404
Finance costs, net	4,886,933	4,136,617
Employees' benefits obligation	636,419	905,432
Provision for electricity and other receivable	205,455	-
(Reversal) / provision for slow moving and obsolete inventory	(266,540)	766,179
Share of loss on equity accounted investees	40,229	62,338
Amortization of deferred government grant	(1,327,074)	(1,215,508)
Provision and other charges	(78,701)	(159,339)
Gain on disposal of property, plant and equipment	(21,784)	(56,063)
Depreciation of right of use assets	158,459	-
Cash flows after adjustment of non-cash items	24,555,527	23,192,271

The accompanying notes from 1 to 47 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 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

Cash flows from operating activities	31 December 2019	31 December 2018
Changes in working capital:		
Inventories	(43,980)	186,273
Electricity receivables	(8,395,563)	(17,552,290)
Prepayments and other receivables	(796,509)	231,917
Debit balances and advances	(296,901)	794,401
Trade payables	3,941,265	7,914,827
Accruals and other payables	(192,391)	5,062,921
Customer refundable deposits	4,408	57,586
Advances from customers	1,337,566	2,707,392
Deferred revenue	6,347,835	4,616,533
Employees' benefits obligation paid	(723,730)	(2,061,973)
Cash generated from operating activities	25,737,527	25,149,858
Zakat paid	(32,370)	(8,912)
Net cash generated from operating activities	25,705,157	25,140,946

The accompanying notes from 1 to 47 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 31 December 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

Cash flows from operating activities	31 December 2019	31 December 2018
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,413,122)	(28,354,841)
Proceeds from sale of property, plant and equipment	75,360	84,177
Payments for intangible assets	(79,978)	(193,983)
Payments for investment in equity accounted investees	(206)	(6,680)
Proceeds from financial investments carried at amortized cost	4,253	22,744
Loan to an affiliate	270,977	8,330
Net cash used in investing activities	(21,142,716)	(28,440,253)
Cash flows from financing activities		
Proceeds from borrowings	16,161,958	24,491,045
Receipts of government grant	453,006	145,934
Proceeds from Sukuk	-	7,495,657
Payment of lease obligation	(167,929)	-
Repayments of borrowings	(16,341,281)	(22,983,975)
Dividends paid	(737,048)	(539,306)
Net finance costs paid	(4,442,056)	(3,939,045)
Net cash (used in) / from financing activities	(5,073,350)	4,670,310
Net change in cash and cash equivalents	(510,909)	1,371,003
Cash and cash equivalents at the beginning of the year	2,429,213	1,058,210
Cash and cash equivalents at end of the year	1,918,304	2,429,213

The accompanying notes from 1 to 47 form an integral part of these consolidated financial statements.

Saudi Electricity Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 Dec 2019

(All amounts in thousands Saudi Riyals unless otherwise stated)

1- Corporate information

The Saudi Electricity Company was formed pursuant to the Council of Ministers' Resolution Number 169 dated 11 Sha'ban 1419H corresponding to 29 November 1998, which reorganised the Electricity Sector in the Kingdom of Saudi Arabia by merging all local companies that provided electricity services (10 joint stock companies that covered most of the geographical areas of the Kingdom), in addition to the projects of the General Electricity Corporation, a governmental corporation belonging to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) into the Company.

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

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

The Company is a tariff-regulated company of electricity. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Electricity and Co-generation Regulatory Authority (the "Authority") which was established on 13 November 2001 according to Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H. The change on tariff was made through the Council of Ministers' Resolution Number 170 dated 12 Rajab 1421H and was effective from 1 Sha'aban 1421H corresponding to 28 October 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts/hour.

This was further amended by the Council of Ministers in its Decision (Number 333) dated 16 Shawwal 1430H, corresponding to 5 October 2009, which granted the Board of Directors of the Electricity and Co-generation Regulatory Authority the right to review and adjust the non-residential (commercial, industrial and governmental) electricity tariff and approve them as long as the change does not exceed 26 Halala for each kilowatt per hour, taking into consideration, among other matters, the electrical consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1 July 2010.

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

On 24 of Rabi Awal 1439H corresponding to 12 December 2017, the Council of Ministers issued a resolution (Number 166) to increase the prices of energy products and electricity consumption rates for some categories of subscribers with the heights tranche of 30 Halala per Kilowatts/hour and change after consumption segments from 1 January 2018 with counting to calculate 32 Halala as heights tranche for segments not mentioned. According to Royal Decree No. 14006 dated 23 Rabi 'al-Awwal 1439 H corresponding to 11 December 2017, the Holding Company shall pay a State fee equivalent to the difference between the previous tariff and the new tariff.

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

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

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

2- Basis of preparation

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

During 2019, the Group applied IFRS 16 "Leases". For the significant changes in accounting policies refer note 3.1.

3- Changes in accounting policies and notes

3.1- Effect of changes in accounting policies as a result of application of new standards

3.1.1- IFRS 16 – "Leases"

The Group has adopted IFRS 16 "Leases".

IFRS 16 "Leases" supersedes the following standards and interpretations:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases-Incentives, and;
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under unified accounting model in the consolidated statement of financial position.

The Group adopted IFRS 16 retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application of 1 January 2019. Under this method, for the contracts previously classified as operating leases, the lease liability is measured at the present value of remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application and the

carrying amount of the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before the date of initial application also any accruals and lease bones related to previously classified operating lease affected the right of use reorganization at the date of initial application.

As part of the initial application of IFRS 16, the Group has decided not to apply the requirements of IFRS 16 to lease contracts whose term will end within twelve months of the date of initial application. In such cases, the lease payments associated with them will be recognized as an expense on straight line basis over the lease term. In addition, the Group has also used practical expedients to apply a single discount rate to a portfolio of leases with similar characteristics and excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. For the year ended 31 December 2018, the Group classified all leases as operating lease. Starting from 1st January 2019, according to IFRS 16, the Group recognized right-of-use assets and lease liabilities in the consolidated statement of financial position.

The Group considered the Power Purchase Contracts with the Independent Power Producers for the year ended 31 December 2019 as a service contracts with the Group, the conclusion was reached after detailed study of the nature of such contracts, Further The study reached a conclusion that the Group does not have control over the identified asset that represents the share of other shareholders and such contracts are not under the scope of IFRS 16.

The table below shows the effect of the change in accordance with IFRS 16 as of 1 January 2019.

	Carrying amount		
	As at 31 December 2018	Adjustments	As at 1 January 2019
Right of use assets	-	348,683	348,683
Lease commitments	-	(347,601)	(347,601)

Settlement of the lease obligation

On the initial application date, a discount rate of 3.9% to 5.4% was used. The following table represents the settlement of leases as at 1 January 2019.

	1 January 2019
Minimum lease payment as at 1 January 2019	383,143
Effect of discounting at the Incremental Borrowing Rate as of 1 January 2019	(35,542)
Total lease commitments as at 1 January 2019	347,601

3.1.2- Annual improvement to IFRS standards 2015-2017 Cycle

- IFRS 3 Business combinations
- IFRS 11 Joint arrangements.
- IAS 23 Borrowing cost

3.1.3- IFRIC 23 uncertainty over tax treatment

3.1.4- Long term interest in Associates and Joint ventures (Amendments to IAS 28)

3.1.5- Plan Amendment, Curtailment or settlement (Amendments to IAS 19)

3.1.6- Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The application of these amendments and interpretations does not have any material impact on the consolidated financial statements during the year.

3.2- New standards and amendments issued but not yet effective

There are no new standards issued, however, a number of amendments to the standards are in effect from 1 January 2020, but it is not expected to have a material impact on the Group's consolidated financial statements.

3.2.1- Definition of a Business (Amendments to IFRS 3)

3.2.2- Definition of Material (Amendments to IAS 1 and IAS 8)

3.2.3- Interest Rate benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

4- Measurement basis

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income, employees benefit obligation, financial assets and financial liabilities that have been measured at fair value.

The Group is required to comply with the cost model for Investment Property, property, plant and equipment and intangible assets until the year end 2022 and after that the Group has an option to use fair value model or cost model according to the criteria and controls announced by the Capital Market Authority.

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

5- Use of estimates, assumptions and judgements

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

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

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

5.1- Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-financial assets

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

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

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

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.

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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

Useful lives of property, plant and equipment

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

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.

Asset retirement obligation (ARO)

Significant estimates and assumptions are made in determining the provision for ARO as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future costs.

Zakat and tax

The Holding Company and its subsidiaries are subject to the legislation of the General Authority of Zakat and Tax ("GAZT"). Accrual of Zakat is recognised in the consolidated statement of income. 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.

Some of the shareholders and Foreign shareholders in the Group are subject to income tax. Tax expense, which includes current tax expense and deferred tax, is charged to the statement of income of the company and its subsidiaries as per the legislation of the General Authority of Zakat and Tax.

Tax expense, which includes current tax expense and deferred tax, is charged to the consolidated statement of income.

The current tax payable is calculated on the basis of the taxable income for the year. The tax income differs from the net income presented in the consolidated statement of income because it excludes taxable or deductible items of income or expense in subsequent years and excludes items that are not taxable or non-deductible. The Group's liabilities are charged to the current tax using the applicable tax rates or substantially expected to be applied at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the purposes of the financial report and tax amounts used for tax purposes. Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that there will be taxable income that can be used against temporary differences that are deductible. These assets and liabilities are not recognised in the event that temporary differences arise from the initial recognition of goodwill or return to assets or liabilities in an ineffective operation over tax or accounting income except in the case of a business combination.

Deferred tax liabilities relating to temporary taxable differences arising from investments in subsidiaries, joint operations and associates are recognised, except when the Group has the ability to reverse these temporary differences. These temporary differences may not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is calculated on the basis of the tax rates expected to be applied in the period in which the liability is settled or the asset is recognised based on the applicable laws or substantially expected to be enacted at the reporting date. The deferred tax is charged or reversed from the consolidated statement of income except in the case that it is attributable to items carried or reversed directly from equity. In this case, deferred tax is treated directly in equity.

Assumptions for fair value estimate of financial derivatives

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are 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).

Deferred revenue

Deferred electricity revenue for the period that are not yet invoiced at the date of the reporting are recognized in the consolidated statement of income, which is calculated based on estimates, assumptions and internal policies that depends fundamentally on management experience.

Provision for Expected Credit Loss for receivable

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

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

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

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

Discount rate for lease contract

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

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

5.2.1- Joint operations - Independent Power Producers

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. 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.

Therefore, the Group recognises in relation to their interest in assets, liabilities, income and expenses in the above mentioned joint operations.

5.2.2- Equity Accounted Investment

The group determines the significant impact on companies that it owns directly or indirectly (for example through subsidiaries), 20 per cent 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.

6- Summary of significant accounting policies

6.1- Basis of consolidation of financial statements

6.1.1- Subsidiaries

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

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

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

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

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

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

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

Details of subsidiaries are as follows:

Company Name	Country of registration and place of business	Ownership in ordinary shares %		Principal activity
		31 December 2019	31 December 2018	
National Grid S.A. Company "Grid Company"	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecom Company	Kingdom of Saudi Arabia	100	100	Telecom
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Projects Management
Saudi Electricity Global Sukuk Company	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Company for Power Purchase (Business not commenced)	Kingdom of Saudi Arabia	100	100	Main buyer
Dawiyat Telecom Company for Communication and Information Technology	Kingdom of Saudi Arabia	100	100	Telecom

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

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

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

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

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

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

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

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

The principal activity of Electricity Sukuk Company is to provide support services required with respect to Sukuks issued by the Holding Company, its subsidiaries and other related companies, after obtaining the required approvals from relevant authorities. Electricity Sukuk Company 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 Holding Company (as issuer) and SABB for financial instruments (as agent for the sukuk holders).

4. Saudi Electricity for Projects Development Company was established in the Kingdom of Saudi Arabia as a limited liability company. The company's activity is to manage construction projects, develop detailed designs, purchase materials, and execute projects in the energy sector.
5. Saudi Electricity Global Sukuk Company was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support for the issuance of international bonds and Sukuks.
6. Saudi Electricity Global Sukuk Company – 2 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.
7. Saudi Electricity Global Sukuk Company – 3 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.
8. Saudi Electricity Global Sukuk Company – 4 was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support in the issuance of international bonds and Sukuks.
9. The Group has established the Saudi Company for Power Purchase, wholly owned subsidiary by the Saudi Electricity Company under Commercial Registration No. 1010608947 dated 31 May 2017. The main activity of the Company is to carry out the main buyer's activity in accordance with the provisions of the license issued by the Electricity and Co-Generation Regulatory Authority which includes offer power generation projects, purchasing and selling power and perform the related agreements.

The Saudi Company for Power Purchase (a wholly owned subsidiary) has signed renewable energy purchase agreements with the following companies:

- » Dumat Al-Jandal Wind Company to produce electricity for a period of 20 year from the date of commencing commercial operation which is expected in January 2022.
- » Sakaka Solar Energy Company to produce electricity for a period of 25 years from the date of commencing commercial operation, and it is expected in June 2020.

According to these agreements, the Saudi Company for Power Purchase is committed to purchase energy produced by the aforementioned companies as per pre-agreed tariff under these agreements.

The aforementioned contracts are considered under implementation and none of the parties to the contract has fulfilled any of their obligations substantially as at December 2019. Therefore, there is no material impact of the aforementioned contracts on the financial statements for the year ended December 2019.

10. Dawiyat Telecom Company for Communications and Information Technology is a limited liability company established in Kingdom of Saudi Arabia, Riyadh under the Company's Memorandum of Association on 21 Rabi Thani 1439 H corresponding to 4 January 2018 and is fully owned by the Saudi Electricity Company. Dawiyat Telecom Company for Communications and Information Technology obtained from the Communications and Information Technology Commission a license to provide wholesale services for the infrastructure.

On 18 December 2018 the General Assembly approved the establishment of the Saudi Company for Power generation named Saudi Company for Power Generation for which the legal requirements are under process to establish the company.

6.1.2- Joint-operations

The group has various arrangement contracts for energy production projects in order to develop, build, operate, and maintain power plants throughout the Kingdom. One of the main inputs to power plants is the fuel used in the turbines to produce electricity, which is sold to the Company at a subsidized price agreed between the Group and Saudi Aramco (the only supplier of fuel in the Kingdom of Saudi Arabia) and is supplied to the power plant owned by the projects referred to. It is free of charge according to agreements with the group's partners in Independent Power Producers.

There are standard agreements for independent power projects. Under the terms of these arrangements, independent power producers build and operate power plants using the fuel provided by the Group. The Group purchases all the power generated for the plants.

A joint arrangement is an arrangement in which two or more parties have joint control. Joint operations are divided into joint ventures or projects based on relevant rights and obligations. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Based on the valuation of the Group's control, investments held in four different companies are classified as joint operations. Based on the management's judgment, the contractual arrangement provides that the parties share all joint operation assets. The following is a breakdown of Saudi Electricity Company's joint operations:

Independent Power Producers	Country of registration and place of business	Ownership percentage shares%	
		31 December 2019	31 December 2018
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

1. Pursuant to the Board of Directors' Resolution No. 4/95/2010 dated 12 Ramadan 1431H corresponding to 22 August 2010, the Group established Hajr for electricity production company (a closed joint stock company) with a share capital of SR 2 million. During 2011, a new partner was admitted and the capital was increased by SR 8 million to become SR 10 million, fully paid so the Group's share became 50% of total shareholder's equity. Furthermore during 2015, the Group contributed in the capital increase of Hajr for Electricity Production

Company –along with its ownership percentage- by an amount of SR 1,248 million which was transferred from loan granted previously so the Group's share in Hajr for Electricity Production Company capital became SR 1,253 million.

2. Pursuant to the Board of Directors' Resolution No. 06/76/2008 dated 26 Jumad Awal 1429H corresponding to 3 June 2008, the Group established Rabigh Electricity Company (a closed joint stock company) with a share capital of SR 2 million. During 2009, Rabigh Electricity Company increased its capital from SR 2 million to SR 10 million by admission of new partners and the Group's share became 20% of the partners' shareholding.

During 2013, the Group contributed in the capital increase of Rabigh Electricity Company –according to a signed partner's agreement- by an amount of SR 183 million which was transferred from loan granted previously so the Group's share in Rabigh Electricity Company capital became SR 185 million.

3. Pursuant to the Board of Directors' Resolution No. 4/88/2009 dated 18 Ramadan 1430H corresponding to 8 September 2009, the Group established Dhuruma Electricity Company (a closed joint stock company) with a share capital of SR 2 million. During 2011, a new partner has been admitted and the capital has been increased by SR 2 million to become SR 4 million. The Group's share represents 50% of the investee's share capital.
4. Pursuant to the Board of Directors' Resolution No. 4/107/2012 dated 27 Rabi Awal 1433H corresponding to 19 February 2012, the Group established Al Mourjan for Electricity Production Company (a closed joint stock company) with a share capital of SR 2 million. During 2013, a new partner was admitted and the capital was increased to SR 10 million. The Group's share represents 50% of the investee's share capital.

6.1.3- Equity-accounted investees

Companies in which the Company has the ability to exercise significant influence over operating and financial policies and joint venture are recorded in the consolidated financial statements using the equity method of accounting. The shares in associates and joint ventures are recognised using the equity method of accounting and are initially recognised at cost, which includes transaction costs. After initial recognition,

the consolidated financial statements include the Group's share of income or loss and other comprehensive income of the investee companies using the equity method until the date that such significant influence or joint control ceases.

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

Equity-accounted investees	Country of registration and activity	Ownership percentage shares %	
		31 December 2019	31 December 2018
Gulf Cooperation Council Interconnection Authority	Kingdom of Saudi Arabia	31.6	31.6
Gulf Laboratory Company for Electronical Equipment Inspection	Kingdom of Saudi Arabia	25	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30
Saudi Green Company for Carbon Services	Kingdom of Saudi Arabia	51	51

Joint Venture	Country of registration and activity	Ownership percentage shares %	
		31 December 2019	31 December 2018
Global Data Hub Company	Kingdom of Saudi Arabia	50	50

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

6.2- Foreign currencies

A) Functional and presentation currency

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

B) Transactions and balances

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 income.

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 statement.

6.3- Cash and cash equivalents

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

6.4- Property, plant and equipment

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

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

Buildings	10 – 40 years
Machinery and equipment	5 – 30 years
Transmission and distribution network	5 – 40 years
Capital spare parts	10 – 25 years
Vehicles and heavy equipment	5 – 15 years
Others	5 – 25 years

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

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

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

6.5- Leases

As a lessee

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

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

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

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

After commencement date, the Group measure the liability by:

- A. Increasing the carrying amount to reflect the interest on lease liability
- B. Reducing the carrying amount to reflect the lease payment made; and
- C. Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect modified or substantially fixed rent payment which re-measured when there are change in future lease payment generated from the change or modification on the rate used or there are change in the estimate of expected amount or the group change its evaluation if the group will purchase or extend or finalize.

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

Short-term leases

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

Extension option

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

As a lessor

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

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

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

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

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

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

At the initial measurement of the operating lease contracts: The Group recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group apply 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 apply 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".

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group is an intermediate lessor the sub-leases were classified with reference to the underlying asset.

6.6- Investment properties

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

Building	40 years
----------	----------

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

6.7- Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income 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 assets 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 income when the asset is derecognised.

6.8- Impairment of non-financial assets

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

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

6.9- Financial instruments

6.9.1- Financial assets

6.9.1.1- Recognition and initial measurement

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

6.9.1.2- Classification and subsequent measurement

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

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

Financial assets at fair value through Consolidated profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of income. As at 31 December 2019, the Group does not have any of these assets.

Financial assets at amortised cost

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. 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 income. As at 31 December 2019, the Group does not have any of these assets.

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

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

6.9.1.3- De-recognition

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

- The contractual rights to the cash flows from the financial asset expire or;
- It 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;
- The Group neither transfers nor retains substantially 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 income.

6.9.1.4- Offsetting

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

6.9.1.5- Impairment of financial asset

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

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

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

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

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

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

1- Trade receivables

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

2- Financial assets (Debit Investment)

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

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

Credit-impaired financial assets

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

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

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

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

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

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

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

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

6.9.2- Financial liabilities

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

After initial recognition, the Group measures financial liabilities (other than financial liabilities which are measured at fair value through 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 income 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 income.

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

Cash flow hedge

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

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

6.10- Employees benefits

Short-term obligations

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

Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of Articles 87 and 88 of the Saudi Arabia Labour and Workmen Law. The entitlement to these benefits, is based upon 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 United States government 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 income.

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 income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Defined contribution plan

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

Termination benefits

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

The Group recognises termination benefits at the earlier of when;

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

6.11 - Asset retirement obligation

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

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

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

6.12- Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions

relating to the operating activities of the entity. In the particular case of SEC, the Company is tariff-regulated. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

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

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

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

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

Grants received against specific expenses are recognised in the consolidated statement of income in the same period in which its relevant expenses are recognised. The Group assesses the relationship between the grant and the relevant expenses upon recognition.

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 income 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 income 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 income 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 income. The Company assesses the relationship between the grant and related expenses upon recognition..

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

6.13- Provisions

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

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

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

6.14- Deferred revenue

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

6.15- Zakat

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

6.16- Income tax and withholding tax

Some of shareholders and Foreign shareholders in the Group are subject to income tax. Tax expense, which includes current tax expense is charged to the consolidated income statement.

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

The share of the foreign shareholders is taxed on its share in the income of the Company invested directly and indirectly in accordance with the requirements of the General Authority for Zakat and Income.

The current tax payable is calculated on the basis of the taxable income for the year. The tax income differs from the net income presented in the consolidated statement of income because it excludes taxable or deductible items of income or expense in subsequent years and excludes items that are not taxable or non-deductible. The liability is charged to the Group for the current tax using the applicable tax rates or substantially expected to be applied at the reporting date.

6.17- Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the purposes of the financial report and tax amounts used for tax purposes. Deferred tax liabilities are normally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that they are likely to have taxable income that can be used for temporary differences that can be deducted. These assets and liabilities are not recognised in the event that temporary differences arise from the initial recognition of goodwill or return to assets or liabilities in an ineffective operation on tax or accounting income except in the case of a merger.

Deferred tax liabilities relating to temporary taxable differences arising from investments in subsidiaries, joint operations and associates are recognised except when the Group has the ability to reverse these temporary differences and these temporary differences may not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that there will be sufficient taxable income allowing the recovery of the asset or part thereof.

Deferred tax is calculated on the basis of the tax rates expected to be applied in the period in which the liability is settled, or the asset is recognised based on the applicable laws or substantially expected to be enacted at the reporting date. The deferred tax is charged or reversed from the consolidated statement of income except in the case that it is attributable to items carried or reversed directly from equity. In this case, deferred tax is treated directly in equity.

6.18- Statutory reserve

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

6.19- Revenue recognition

The Group recognises the following revenues from contracts with customers:

- Revenue from electricity sales;
- Revenue from meter reading, maintenance and bills preparation tariff;
- Revenue from electricity connection tariff;
- Revenue of transmission system; and
- Other operating revenue.

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

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

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

6.19.1- Revenue from electricity sales

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

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

6.19.2- Revenue from meter reading, maintenance and bills preparation tariff

Revenue from meter reading, maintenance and bills preparation tariff is recognised in the accounting period in which the services are rendered. Revenue from meter reading, maintenance and bills preparation tariff 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 till end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

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

6.19.3- Revenue from electricity connection tariff

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

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

6.19.4- Revenue from transmission system

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

6.19.5- Other operating revenue

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

6.20- Dividend income from investments

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

6.21- Borrowing costs

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

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

6.22- Dividend distribution

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

6.23- Segments reporting

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

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

6.24- 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
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

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

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

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

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

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

6.25- Inventories

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

Inventories are initially measured at cost which comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Group uses the weighted average cost method to value its inventories. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the year.

Subsequent to initial recognition, inventories are to be measured at the lower of cost and net realisable value.

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

6.26- Contingent liabilities

A possible obligations 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.

7- Seasonal changes

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

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

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

The main actions of each activity are as follows:



Generation:

Generating electricity.



Transmission:

Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.



Distribution and Subscriber Services:

Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.

The Group is currently working on implementing an integrated plan to separate the main activities into independent companies as a part of government plan to restructure the electricity sector in the Kingdom and the legal procedures are still under process. The Group is currently finalizing agreements with some of its subsidiaries related to the sale and purchase of energy and the rental of electricity networks for the Saudi Power Procurement Company, as well as for the generation activity (an independent company is being established) with an exception of signed contract of rental of electricity transmission network for National Grid S.A. Company.

The activities under separation plan aims to plan an independent measure of business performance and results.

The Group's financial statements in the following table include generation, distribution and subscribers' services. Procedures are still under way to separate the generation and distribution activities up to the date of preparation of these consolidated financial statements. In addition to the Company financial statement, joint operations are listed as an independent sector for the production and generation of electricity.

The National Grid Company financial data includes electricity transmission activities, including operating and maintenance of the electricity transmission system.

The Company's General Assembly approved the establishment of Saudi Company for Power Procurement (note 1) as part of integrated plan to separate the Company's main activities.

Segment reporting and future structure of the Group's activities

For the year ended 31 December 2019	Saudi Electricity Company	National Grid Company	Joint Operations	Other subsidiaries	Intercompany transactions	Total
Revenue						
External customers	64,997,138	-	-	98,594	(55,732)	65,040,000
Between sectors	-	13,226,892	1,271,146	-	(14,498,038)	-
Total revenue	64,997,138	13,226,892	1,271,146	98,594	(14,553,770)	65,040,000
Cost of sales						
Fuel	(7,576,427)	-	-	-	-	(7,576,427)
Purchased energy	(9,076,066)	-	-	-	1,271,145	(7,804,921)
Operating and maintenance costs	(21,811,862)	(1,752,442)	(318,883)	(18,236)	13,223,420	(10,678,003)
Government fees	(14,493,692)	-	-	-	-	(14,493,692)
Depreciation - operation and maintenance	(10,862,991)	(7,009,800)	(365,086)	(35,999)	69,495	(18,204,381)
Depreciation – Right of use asset	(158,087)	-	(372)	-	-	(158,459)
Total cost of sales	(63,979,125)	(8,762,242)	(684,341)	(54,235)	14,564,060	(58,915,883)
General and administrative expenses	(404,619)	(220,603)	(125,377)	(40,414)	-	(791,013)
Depreciation - general and administrative	(453,512)	-	-	-	-	(453,512)
Total general and administrative expenses	(858,131)	(220,603)	(125,377)	(40,414)	-	(1,244,525)
Other income, net	3,057,435	8,525	53,519	18,420	(1,482,161)	1,655,738
Finance cost, net	(4,397,934)	(1,496,820)	(473,185)	9,135	1,471,871	(4,886,933)
Share of loss in equity accounted investees	(40,229)	-	-	-	-	(40,229)
Zakat and deferred tax expenses	(54,142)	(152,906)	(6,063)	(7,500)	-	(220,611)
Net profit / (loss) for the year	(1,274,988)	2,602,846	35,699	24,000	-	1,387,557
As at 31 December 2019						
Projects under construction	41,489,364	14,048,214	9,399	290,916	-	55,837,893
Property, plant and equipment	208,130,912	147,359,801	10,755,527	884,841	-	367,131,081
Total property, plant and equipment	249,620,276	161,408,015	10,764,926	1,175,757	-	422,968,974
Total assets	434,140,401	161,817,512	12,214,088	1,615,146	(129,957,157)	479,829,990
Total liabilities	372,852,007	140,686,051	9,705,371	773,556	(117,756,867)	406,260,118

Segment reporting and future structure of the Group's activities

For the year ended 31 December 2018	Saudi Electricity Company	National Grid Company	Joint Operations	Other subsidiaries	Intercompany transactions	Total
Revenue						
External customers	64,078,327	-	-	34,949	(49,638)	64,063,638
Between sectors	-	12,372,337	1,280,843	-	(13,653,180)	-
Total revenue	64,078,327	12,372,337	1,280,843	34,949	(13,702,818)	64,063,638
Cost of sales						
Fuel	(7,669,664)	-	-	-	-	(7,669,664)
Purchased energy	(9,534,889)	-	-	-	1,280,843	(8,254,046)
Operating and maintenance costs	(21,289,823)	(1,830,203)	(323,348)	(12,100)	12,373,077	(11,082,397)
Government fees	(14,703,780)	-	-	-	-	(14,703,780)
Depreciation - operation and maintenance	(9,908,822)	(6,211,265)	(363,688)	-	49,638	(16,434,137)
Total cost of sales	(63,106,978)	(8,041,468)	(687,036)	(12,100)	13,703,558	(58,144,024)
General and administrative expenses	(555,050)	(210,799)	(135,428)	(24,329)	-	(925,606)
Depreciation - general and administrative	(414,426)	-	-	-	-	(414,426)
Total general and administrative expenses	(969,476)	(210,799)	(135,428)	(24,329)	-	(1,340,032)
Other income, net	2,710,316	4,947	76,144	1,425	(1,356,811)	1,436,021
Finance cost, net	(3,661,099)	(1,381,423)	(455,658)	5,492	1,356,071	(4,136,617)
Share in loss in equity accounted investees	(62,338)	-	-	-	-	(62,338)
Zakat and deferred tax expenses	91,413	(136,746)	(6,491)	(7,691)	-	(59,515)
Net profit / (loss) for the year	(919,835)	2,606,848	72,374	(2,254)	-	1,757,133
As at 31 December 2018						
Projects under construction	44,595,617	19,399,587	91,385	407,449	-	64,494,038
Property, plant and equipment	205,061,674	137,601,024	10,945,289	-	-	353,607,987
Total property, plant and equipment	249,657,291	157,000,611	11,036,674	407,449	-	418,102,025
Total assets	413,570,721	157,501,862	12,563,242	887,295	(119,967,276)	464,555,844
Total liabilities	378,660,146	109,683,874	9,915,692	386,339	(107,767,985)	390,878,066

9- Property, plant and equipment, net

	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network	Vehicles and heavy equipment	Others	Construction work in progress	Total
Cost:									
At 1 January 2018	3,496,810	43,297,420	174,806,644	5,839,867	291,139,381	1,822,626	13,374,044	79,954,663	613,731,455
Additions	749,707	2,210,980	8,496,144	431,243	31,384,081	8,250	3,777,765	29,780,946	76,839,116
Transfers from work in progress	-	-	-	-	-	-	-	(45,004,719)	(45,004,719)
Reclassifications	-	2,285,099	528,354	(67,481)	4,635,703	(1,313)	(7,387,259)	6,897	-
Disposals	(1,420)	(20,401)	(463,455)	-	(1,013,950)	(9,104)	(7,807)	(243,749)	(1,759,886)
At 31 December 2018	4,245,097	47,773,098	183,367,687	6,203,629	326,145,215	1,820,459	9,756,743	64,494,038	643,805,966
Additions	506,343	3,366,868	7,283,335	344,622	19,567,696	27,573	1,135,457	23,152,352	55,384,246
Transfers from work in progress	-	-	-	-	-	-	-	(31,808,497)	(31,808,497)
Reclassifications	203,519	869,703	(637,933)	1,060	311,396	-	(747,745)	-	-
Disposals	(91)	(14,643)	(275,575)	(1,105)	(129,079)	(5,314)	-	-	(425,807)
At 31 December 2019	4,954,868	51,995,026	189,737,514	6,548,206	345,895,228	1,842,718	10,144,455	55,837,893	666,955,908
Accumulated depreciation									
At 1 January 2018	-	16,627,659	71,047,759	2,795,723	113,087,754	1,341,543	4,541,481	-	209,441,919
Depreciation for the year	-	1,518,644	5,765,358	193,155	8,560,434	148,058	662,914	-	16,848,563
Reclassifications	-	23,173	(344)	209	(131)	-	(22,907)	-	-
Disposals	-	(19,190)	(384,739)	-	(166,293)	(9,074)	(7,245)	-	(586,541)
At 31 December 2018	-	18,150,286	76,428,034	2,989,087	121,481,764	1,480,527	5,174,243	-	225,703,941
Depreciation for the year	-	1,663,747	6,543,186	212,165	9,491,434	121,145	623,547	-	18,655,224
Reclassifications	-	23,094	(30,482)	149	25,470	-	(18,231)	-	-
Disposals	-	(11,986)	(256,446)	(867)	(97,712)	(5,220)	-	-	(372,231)
As at 31 December 2019	-	19,825,141	82,684,292	3,200,534	130,900,956	1,596,452	5,779,559	-	243,986,934
Net book value									
As at 31 December 2018	4,245,097	29,622,812	106,939,653	3,214,542	204,663,451	339,932	4,582,500	64,494,038	418,102,025
As at 31 December 2019	4,954,868	32,169,885	107,053,222	3,347,672	214,994,272	246,266	4,364,896	55,837,893	422,968,974

Land includes pieces of land with a book value of SR 25 million, against which the title deeds are not transferred to the Group yet.

The net book values of the Group's property, plant and equipment (other than construction work in progress) is allocated to the main activities as follows:

	Generation	Transmission	Distribution	General property	Joint operations	Total
As at 31 December 2019						
Land	131,113	591,303	218,969	4,013,483	-	4,954,868
Buildings	16,918,480	11,297,189	459,971	2,770,064	724,181	32,169,885
Machinery and equipment	89,880,098	5,280,984	489,467	1,498,907	9,903,766	107,053,222
Capital spare parts	2,303,945	687,289	230,803	9	125,626	3,347,672
Transmission and distribution network	-	128,654,465	86,339,807	-	-	214,994,272
Vehicles and heavy equipment	4,671	339	8,341	232,512	403	246,266
Others	2,344,910	848,232	396,545	773,656	1,553	4,364,896
Net book value - net	111,583,217	147,359,801	88,143,903	9,288,631	10,755,529	367,131,081
As at 31 December 2018						
Land	131,113	591,303	219,018	3,303,663	-	4,245,097
Buildings	17,063,847	9,796,764	387,316	1,534,385	840,500	29,622,812
Machinery and equipment	90,389,134	5,304,913	524,860	727,837	9,992,909	106,939,653
Capital spare parts	2,300,671	565,417	237,119	23	111,312	3,214,542
Transmission and distribution network	-	120,439,447	84,224,004	-	-	204,663,451
Vehicles and heavy equipment	6,821	435	-	332,471	205	339,932
Others	2,542,759	902,745	504,039	632,594	363	4,582,500
Net book value - net	112,434,345	137,601,024	86,096,356	6,530,973	10,945,289	353,607,987

Constructions in progress

	Generation	Transmission	Distribution	General property	Joint operations	Total
At 1 January 2018	19,709,462	36,136,075	19,537,015	3,451,658	1,120,453	79,954,663
Additions	6,215,023	11,247,180	7,713,512	2,244,347	83,244	27,503,306
Borrowing costs capitalised	851,869	1,185,043	181,677	59,051	-	2,277,640
Transfers from CWIP to fixed assets	(7,945,510)	(20,443,896)	(14,237,371)	(1,502,482)	(875,460)	(45,004,719)
Transfer	-	-	-	-	6,897	6,897
Disposals	-	-	-	-	(243,749)	(243,749)
At 31 December 2018	18,830,844	28,124,402	13,194,833	4,252,574	91,385	64,494,038
Additions	2,905,933	8,882,106	6,580,339	2,686,608	11,443	21,066,429
Borrowing costs capitalised	799,193	1,015,815	217,242	53,673	-	2,085,923
Transfers from CWIP to fixed assets	(6,034,787)	(16,210,784)	(6,082,194)	(3,387,301)	(93,431)	(31,808,497)
Transfer	(126,460)	94,939	-	31,521	-	-
As at 31 December 2019	16,374,723	21,906,478	13,910,220	3,637,075	9,397	55,837,893

- As of 31 December 2019, property, plant and equipment includes depreciated assets with an original cost of SR 67.1 billion which are fully depreciated but still in use. Management doesn't expect substantial future economic benefits from these assets.
- Additions to projects under construction include capitalised interest of SR 2.1 billion during 31 December 2019 (31 December 2018: SR 2.3 billion). The capitalisation rate for the year ended 31 December 2019 was 4.6% (31 December 2018, 4.6%).

10- Right of use assets and lease liabilities

10.A) Right of use assets

	Vehicles and heavy equipment	Land	Buildings	Total
Cost				
As of 1 January, 2019	293,661	54,312	710	348,683
Additions	42,084	2,249	10,805	55,138
As of 31 December, 2019	335,745	56,561	11,515	403,821
Accumulated depreciation				
As of 1 January, 2019	-	-	-	-
Charge for the year	147,512	4,723	6,224	158,459
As of 31 December, 2019	147,512	4,723	6,224	158,459
Net Book Value				
As of 1 January, 2019	293,661	54,312	710	348,683
As of 31 December, 2019	188,233	51,838	5,291	245,362

10.B) Long term lease liabilities

The future minimum lease payments together with the present value of minimum lease payments as of 31 December 2019 are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	150,799	(6,979)	143,820
Between one and five years	73,354	(8,812)	64,542
More than five years	50,667	(10,554)	40,113
Total	274,820	(26,345)	248,475

At 31 December 2019, the lease liabilities are presented in the statement of financial position as follows:

	2019	2018
Current portion	143,820	-
Non current portion	104,655	-
Total	248,475	-

11- Investment properties

The carrying value of investment properties is SR 456 million as at 31 December 2019 (31 December 2018: SR 535 million,). Management performed an independent valuation for investment properties as at 31 December 2019 and determined the fair value of investment properties at SR 1 billion.

Cost	Total
As of 31 December, 2018	535,144
Additions	
Transfers from property, plant and equipment	128,263
Transfers to property, plant and equipment	(203,519)
As of 31 December, 2019	459,888
Accumulated depreciation	
As of 31 December, 2018	-
Transfer from property, plant and equipment	(1,447)
Charge for the year	(2,669)
As of 31 December 2019	(4,116)
Net Book Value	
As of 31 December, 2019	455,772
As of 31 December, 2018	535,144

An independent valuation of the Group's land classified as investment properties was performed by an independent valuer Maqayyer Real-estate and Partners Valuation Company with the number 323/18/770 (Licensed by Saudi Authority for Accredited Valuers) to determine the fair value of the land at 31 December 2019.

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

The fair value measurement information in accordance with IFRS 13 as at 31 December 2019 which was completed during the 2019, is given below.

Fair value measurements as at 31 December 2019			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fair-value measurements - Land	-	SAR 918 million	-
Fair-value measurements - Buildings	-	SAR 127 million	-

Valuation techniques used to derive Level 2 fair values:

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

12 - Intangible assets, net

	Pipeline right-of-use	Software	Work in process*	Total
Cost:				
Balance at 1 January 2018	178,086	335,825	112,862	626,773
Additions	114,192	22,388	57,403	193,983
Transfers from projects under implementation	-	77,844	(77,844)	-
Balance at 31 December 2018	292,278	436,057	92,421	820,756
Additions	-	-	6,787	6,787
Transfers from projects under implementation	-	73,191	-	73,191
Balance at 31 December 2019	292,278	509,248	99,208	900,734
Accumulated amortisation:				
Balance at 1 January 2018	80,139	174,519	-	254,658
Amortisation for the year	54,581	32,823	-	87,404
Balance at 31 December 2018	134,720	207,342	-	342,062
Amortisation for the year	12,844	43,226	-	56,070
Balance at 31 December 2019	147,564	250,568	-	398,132
Net book value:				
At 31 December 2019	144,714	258,680	99,208	502,602
At 31 December 2018	157,558	228,715	92,421	478,694

* The intangible work in process represents computer software.

13- Equity-accounted investees

The balances related to these investments are as follows:

	31 December 2019	31 December 2018
Gulf Cooperation Council Inter-Connection Authority	1,350,702	1,389,321
Gulf Laboratory for Electrical Equipment Diagnoses	71,695	77,858
Al Fadhy Co-Generation Company	-	1,126
Green Saudi Company for Carbon Services	285	510
	1,422,682	1,468,815
Joint venture		
Global Data Hub Company	5,000	5,000
	5,000	5,000
	1,427,682	1,473,815

Gulf Cooperation Council Inter-Connection Authority:

The Holding 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 for Electrical Equipment Diagnoses:

Pursuant to ministerial resolution no (38) dated 10 Safar 1437 H (corresponding to 10 November 2016), Gulf Laboratory for Electrical Equipment Company (closed

joint stock company) was established with an authorised share capital of SR 360 million. The shareholders of Gulf Laboratory for Electrical Equipment Company paid SR 90 million of the authorised share capital. The Group's share represents 25% of authorize share capital amounting to SR 22.5 million which was fully paid as at 31 December 2016. During 2017, the authorised share capital was fully paid amounting to SR 360 million. The share of the Group amounted to SR 90 million as at 31 December 2017. The company has not yet started its operations. Net book value of investment represents the group share after pre operating losses.

Al Fadhy Co-Generation Company:

Pursuant to the Board of Directors' resolution no. 5/143/2016 dated 17 Dhul-Hijjah 1437 H corresponding to 20 September 2016, Al Fadhy Co-Generation 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. This company has not started its operations yet. Net book value of investment represents the Group's share after pre operating losses.

Green Saudi Company for Carbon Services:

The Group participated in the establishment of Green Saudi Company for Carbon Services which is a limited liability company with a capital of SR 1 million. The Group's share amounted to SR 510 thousand represents 51% of the share capital of the Company.

Global Data Hub Company:

Dawiyat Telecom Company established its Global Data Hub company 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 finalized and is being treated as a joint venture and accounted in the same way as equity investments.

The movement in equity investments recognised under the equity method is as follows:

	GCC Inter-Connection Authority	Gulf Laboratory for Electrical Equipment Diagnoses	Al Fadhly Co-Generation Company	Green Saudi Company for Carbon Services	Global Data Hub Company	Total
Balance at 1 January 2018	1,443,797	84,867	298	510	-	1,529,472
Additions	-	-	1,681	-	5,000	6,681
Share in net losses	(54,476)	(7,009)	(853)	-	-	(62,338)
Balance at 31 December 2018	1,389,321	77,858	1,126	510	5,000	1,473,815
Additions	-	-	-	206	-	206
Share in net losses	(38,619)	(6,163)	4,984	(431)	-	(40,229)
Share in OCI	-	-	(6,110)	-	-	(6,110)
Balance at 31 December 2019	1,350,702	71,695	-	285	5,000	1,427,682

The following table represents the financial information relating to the Group's investment in the Electricity Interconnection Authority of the GCC States:

	31 December 2019	31 December 2018
Current assets	706,024	686,989
Non-current assets	3,596,865	3,692,569
Current liabilities	68,854	59,455
Non-current liabilities	59,813	41,560
Equity	4,174,222	4,278,543

	31 December 2019	31 December 2018
Operating income	153,313	149,354
Cost of sales	(199,845)	(350,814)
Gross loss	(46,532)	(201,460)
General and administrative expenses	(93,816)	(22,816)
Operating loss for the year	(140,348)	(224,276)
Other income, net	20,065	21,109
Finance income	15,961	13,491
Loss for the year	(104,322)	(189,676)

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

14- Financial assets at amortised cost

	31 December 2019	31 December 2018
Sadara Company for Basic Services' Sukuk "Sadara"	21,593	23,925
Arabian Aramco Total Services Company's Sukuk "Satorp"	16,864	18,785
	38,457	42,710
(Increase in the provision for financial assets at amortized cost)	(76)	(76)
	38,381	42,634

15- Financial assets through other comprehensive income

	31 December 2019	31 December 2018
Shuaiba Water and Electricity Company *	171,921	149,989
Shuquiq Water and Electricity Company *	88,261	93,297
Jubail Water and Power Company *	49,301	40,588
Shuaibah Expansion Holdings *	15,592	15,491
Total	325,075	299,365

* The dividends received by the Group amounted to 57.6 million Saudi Riyals (2018: 24.9 million Saudi Riyals). Fair value information in accordance with IFRS 13 is set out in Note 45-3.

16- Inventories, net

	31 December 2019	31 December 2018
Generation plant materials and supplies *	2,692,272	2,632,428
Distribution network materials and supplies *	1,600,921	1,918,712
Transmission network materials and supplies *	363,665	344,766
Fuel and oil	1,161,071	939,435
Others *	55,110	39,653
Total	5,873,039	5,874,994
Less: Provision for slow moving inventories (a)	(817,125)	(1,129,600)
Total	5,055,914	4,745,394

* During the year ended 31 December 2019, an amount of SAR 471 million (2018: SAR 425 million) has been recorded as impairment of inventories.

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,129,600	789,105
Charge for the year	-	340,495
Reversal for the year	(312,475)	-
Balance at the end of the year	817,125	1,129,600

17- Electricity receivables, net

Electricity consumers' receivable	31 December 2019	31 December 2018
Governmental institutions *	27,878,902	16,350,324
Commercial and residential	9,296,046	11,804,290
Electricity service connection projects receivables	2,417,750	2,394,898
Due from related parties	2,980,636	2,645,500
Total electricity consumers' receivable	42,573,334	33,195,012
Less: provision for doubtful receivables (a)	(1,549,779)	(1,614,560)
Add: Unbilled revenues	3,860,449	3,551,021
Total	44,884,004	35,131,473

* During the year end of 2019 and 2018, the Group set-off some of the receivable balances owed by government entities with the credit balances of some government entities on the basis of relevant ministerial records and decisions.

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,614,560	1,614,560
Charge for the year	76,326	-
Written off during the year	(141,107)	-
Balance at the end of the year	1,549,779	1,614,560

18- Debit balances and advances

	31 December 2019	31 December 2018
Loans to affiliate		
Jubail Water and Power Company	271,874	920
Advances to:		
Contractors and suppliers	402,116	671,493
Employees	46,833	22,486
Total	720,823	694,899

19- Prepayments and other receivables

	31 December 2019	31 December 2018
Prepaid and other expenses	21,332	125,571
Insurance and other claims	144,482	124,505
Other receivables, net	1,289,843	409,072
Total	1,455,657	659,148
Less: Provision for other doubtful receivables (a)	(186,383)	(57,254)
Total	1,269,274	601,894

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	57,254	57,254
Charge for the year	129,129	-
Balance at the end of the year	186,383	57,254

20- Cash and cash equivalents

	31 December 2019	31 December 2018
Cash in hand	4,110	33,393
Cash at banks	1,511,127	2,060,797
Short-term bank deposits	403,067	335,023
Total	1,918,304	2,429,213

21- 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 ownership of the shares owned by the Government of Saudi Arabia in the Company's share capital of 74.31% ,was transferred to the Public Investment Fund by Royal Decree No. 47995 dated 19 Shawwal 1438H (13 July 2017).

22- Transactions with owners, recognised directly in equity

In accordance with the Group's Articles of Association, dividends of at least 5% of paid up capital, net of reserves, should be distributed to shareholders with due care to the provisions of the Council of Ministers' Resolution No.169 dated 11 Sha'aban 1419H, whereby the Government has waived its share in the distributed dividends for a period of ten years from the date of the Company's formation, provided that dividends do not exceed 10% of the par value of the shares. In cases where the distribution exceeds 10% of the shares' par value, the Government's share shall be treated similar to the share of other shareholders. The Government has agreed to extend this waiver for another ten years based on the Council of Ministers' Resolution No. 327 dated 24 Ramadan 1430H corresponding to 13 September 2009 to extend a Government's waiver for its share of the income distributed by the company for ten more years ended on 12 September 2019.

The Company's General Assembly, at its meeting held on 30 April 2019, approved a dividend of 7% cash dividends for the year 2018 for individuals contributing SR 749.3 million representing SR 0.7 per share (2017: SR 547 million).

23- Reserves

Statutory reserves

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

General reserve

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

24- Employees' benefits obligation

		31 December 2019	31 December 2018
Employees' end of service benefits	24.1	4,566,697	3,870,088
Employees' savings fund	24.2	722,850	614,331
Human resources productivity improvement program	24.3	1,290,789	1,578,573
		6,580,336	6,062,992

24.1- Employee end of services benefits

The Group carried out an actuarial valuation for employees' end of service benefits, using the projected unit credit method for its liability as at 31 December 2019 and 31 December 2018 arising from the end of service benefits.

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

Withdrawal Rate	Age (years)	Rate for the year 2019	Rate for the year 2018
	18-35	1%	1%
	36-40	3%	3%
	41-45	15%	15%
	46+	30%	30%
Assumed retirement age		58 years and 3 months (Gregorian calendar). Employees older than the normal retired age are assumed to retire immediately on valuation date.	
Pre-retirement mortality		The Group based the pre-retirement mortality on the life table for Saudi Arabia, sourced on countries that do not differ substantially from Kingdom of Saudi Arabia.	

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

	31 December 2019	31 December 2018
Gross discount rate	3%	4.6%
Price inflation	2%	2%
Salary inflation	4%	4%

Sensitivity Analysis:

	Impact on defined benefit obligations 2019	
	1% Increase	1% Decrease
Payroll inflation	331,451	(297,679)
Discount rate	(277,784)	315,425

	Impact on defined benefit obligations 2018	
	1% Increase	1% Decrease
Payroll inflation	276,430	(252,230)
Discount rate	(228,523)	254,560

The reconciliation of the defined benefit obligation for the year ended 31 December 2019 and 2018:

	Statement of income	Re-measurement	Cash movements	Total
As at 1 January 2018				4,859,499
Current service cost	354,295	-	-	354,295
Interest cost	171,305	-	-	171,305
(Gain) / loss from change in economic assumptions	-	(447,399)	-	(447,399)
(Gain) / loss from change in demographic assumptions	-	(240,295)	-	(240,295)
Experience loss (gain)	-	133,028	-	133,028
Benefit payments	-	-	(960,345)	(960,345)
Total movement during the year	525,600	(554,666)	(960,345)	(989,411)
As at 31 December 2018				3,870,088
Current service cost	351,443	-	-	351,443
Interest cost	177,923	-	-	177,923
(Gain) / loss from change in economic assumptions	-	442,903	-	442,903
(Gain) / loss from change in demographic assumptions	-	41	-	41
Experience loss (gain)	-	(16,212)	-	(16,212)
Benefit payments	-	-	(259,489)	(259,489)
Total movement during the year	529,366	426,732	(259,489)	696,609
As at 31 December 2019				4,566,697

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 23 Safar 1429H (corresponding to March 2008), the Savings Plan Program was applied to encourage Saudi employees in the Company to save and invest their savings in areas that are more beneficial to them to secure their future and as an incentive for them to continue working with the Company.

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	614,331	479,013
Charge for the year	138,470	128,236
Paid during the year	(58,744)	(115,862)
Net change in the assets of the Fund	28,793	122,944
Balance at the end of the year	722,850	614,331

The following are the liabilities balances of the Saving Fund:

	31 December 2019	31 December 2018
Contribution by the Company	664,377	555,837
Employees' contribution	596,221	547,354
Total liabilities	1,260,598	1,103,191

The following are the assets of the Saving Fund:

	31 December 2019	31 December 2018
Balances and deposits with banks	347,726	346,860
Investments in Sukuks	190,022	142,000
Total assets of the Fund	537,748	488,860

24.3- Human resources productivity improvement program

The Company is committed to improve the productivity of human resources by increasing employees' efficiency and reducing the total costs of human resources, which will positively affect the performance of the Company in the future (human resources productivity improvement program). Eligible Saudi employees who meet the applicable terms and conditions can enroll in this program.

The Company has carried out actuarial valuations for both aforementioned programs as at 31 December 2019. The assumptions made by the actuarial expert are consistent with underlying assumptions regarding the assessment of end of service benefits' actuarial valuation. However, following are the additional assumptions for the purposes of the above-mentioned program:

Economic assumption used in valuation of Mowama:

	31 December 2019	31 December 2018
Discount rate	2.4%	3.9%
Inflation rate	5%	5%
Mortality	The group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

Economic assumption used in valuation of Special offer:

	31 December 2019	31 December 2018
Discount rate	2%	3.5%
Inflation rate	5%	5%

- Each employee entitled to a special offer is likely to receive the offer in any year;
- Annual cost of sponsorship for program members 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, whichever is earlier;
- Mortgage loans related to premium support will not expire before the employee reaches age 60.

	31 December 2019	31 December 2018
Special payment offers	424,398	664,931
Mowama offer	866,391	913,642
	1,290,789	1,578,573

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,578,573	2,264,382
Increase during the year:	-	-
Special payment offers	60,647	6,556
Mowama	85,859	416,345
Total increase during the year	146,506	422,901
Paid during the year	(434,290)	(1,108,710)
Balance at the end of the year	1,290,789	1,578,573

25- Deferred revenue

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	45,728,340	41,111,806
Received during the year	8,181,732	6,224,723
Recognised during the year	(1,833,897)	(1,608,189)
Balance at the end of the year	52,076,175	45,728,340

	31 December 2019	31 December 2018
Current portion	1,925,592	1,688,598
Non-current portion	50,150,583	44,039,742
	52,076,175	45,728,340

26- Deferred government grant

Deferred government grants amounting to SAR 43.1 billion as at 31 December 2019 (31 December 2018: SAR 44.4 billion) representing the difference between the loan amounts received from the Government and the discounted present values of these loans on initial recognition period on the date of receiving of instalment which is being amortised according to the useful life of the related financed assets.

During 2019 Dawiyat (a subsidiary) has received a government grant from Ministry of Communication and Information Technology amount to SAR 576 million (2018: SAR 145 million) against the implementation of the fibre optic network.

	31 December 2019	31 December 2018
Balance at the beginning of the year	44,539,395	45,608,969
Government grants received during the year	453,006	145,934
Amortisation during the year	(1,327,074)	(1,215,508)
Balance at the end of the year	43,665,327	44,539,395

27- Asset retirement obligations

	31 December 2019	31 December 2018
Balance at the beginning of the year	258,534	193,373
Additions during the year	-	56,308
Increase in the present value during the year	9,728	8,853
Balance at the end of the year	268,262	258,534

The balance of the asset retirement obligation is stated at the present value of the future obligation after taking into consideration the discount factor.

28- Trade Payables

	31 December 2019	31 December 2018
Saudi Aramco costs of fuel	103,478,397	95,166,404
Transferred to Government payable (a)	(88,007,942)	(88,007,942)
	15,470,455	7,158,462
Saline Water Conversion Corporation – payable	515,354	606,774
Contractors and retention payables	1,150,149	3,586,203
Purchased power payable (a)	2,982,241	2,706,872
Accounts payable	570,030	972,504
Others (b)	1,736,644	2,019,499
	22,424,873	17,050,314

- A. This amount represents payable relating to fuel for the period from 5 April 2000 to 31 December 2017, which was transferred from Saudi Aramco account to government accounts and an amount of SAR 4.4 billion has been transferred from the purchased energy payable. The total amount transferred is SAR 92.4 billion (2018: SR 92.4 billion) (note 31).
- B. Other payables include amounts of SAR 1.1 billion as of 31 December 2019 (2018: SR 1.1 billion) that are still under settlement between the Group and the Government relating to the pre-consolidation accounts referred to in note 1.

29- Accruals and other payables

	31 December 2019	31 December 2018
Accrued expenses	4,840,285	6,268,835
Accrued employees' benefits	704,895	693,731
Dividends payable	425,798	413,554
Accrued interest expenses	875,831	787,231
Accrued government fees	5,864,162	4,604,827
Others	38,311	66,661
	12,749,282	12,834,839

30- Provision for other liabilities and charges

	Provision
At 1 January 2018	494,680
Paid /reversed during year	(159,339)
At 31 December 2018	335,341
Charge for the year	79,883
Paid /reversed during year	(111,071)
At 31 December 2019	304,153

The balance mainly includes the provision for a lawsuit against the Group, in addition to the balance of Zakat provision amounting to SAR 101 million as of 31 December 2019.

31- Government payables

The Government payable includes SR 92.4 billion as of 31 December 2019 representing the amount payable for fuel for the period from 5 April 2000 to 31 December 2017 pursuant to the ministerial minutes of the meeting and resolutions which resolved to transfer the Group's liability to Saudi Arabian Oil Company ("Saudi Aramco") to the account of the Ministry of Finance according to specific procedures and approvals, and that the last one was at the end of 2018.

32- Financial liabilities

32.1- Financial liabilities other than interest bearing

	31 December 2019	31 December 2018
Derivative financial instruments		
Derivative financial instruments at fair value	633,802	292,735
	633,802	292,735
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	22,424,873	17,050,314
Accruals and other payables	12,749,282	12,834,839
Government payables	92,495,037	92,494,578
Customer refundable deposits	1,997,932	1,993,524
Total other financial liabilities carried at amortized cost, other than interest bearing loans	129,667,124	124,373,255

32.2- Interest bearing liabilities

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2019 is as follows:

	Term Loans	Sukuks	Government loans	Total
Non-current	52,474,050	39,289,736	47,698,302	139,462,088
Current	19,179,264	-	1,000,000	20,179,264
	71,653,314	39,289,736	48,698,302	159,641,352

Classification of borrowings as appearing in the consolidated statement of financial position as of 31 December 2018 is as follows:

	Term Loans	Sukuks	Government loans	Total
Non-current	48,888,978	39,289,162	46,456,909	134,635,049
Current	22,943,659	-	-	22,943,659
	71,832,637	39,289,162	46,456,909	157,578,708

Movement in borrowings during the year is as follows:

	Term loans	Sukuks	Government loans	Total
As at 1 January 2018	70,352,411	31,793,505	44,364,627	146,510,543
Proceeds from borrowings	24,491,045	7,502,000	-	31,993,045
Repayments of borrowings	(22,983,975)	-	-	(22,983,975)
Additions to deferred costs	(26,844)	(6,343)	-	(33,187)
Difference between instalments received and present value	-	-	-	-
Unwinding of discount of Government loans	-	-	2,092,282	2,092,282
As at 31 December 2018	71,832,637	39,289,162	46,456,909	157,578,708
Proceeds from borrowings	16,161,958	-	-	16,161,958
Repayments of borrowings	(16,252,043)	-	-	(16,252,043)
Additions to deferred costs	(89,238)	574	-	(88,664)
Unwinding of discount of Government loans	-	-	2,241,393	2,241,393
As at 31 December 2019	71,653,314	39,289,736	48,698,302	159,641,352

32.2.1- Term loans

Non-current:	31 December 2019	31 December 2018
Saudi Electricity Company	44,533,338	40,627,944
Joint operations	7,940,712	8,261,034
	52,474,050	48,888,978
Current:	31 December 2019	31 December 2018
Saudi Electricity Company	18,658,632	22,502,072
Joint operations	520,632	441,587
	19,179,264	22,943,659

The following are long-term loans:

	Loan currency	Maturity date	Principal amount	31 December 2019	31 December 2018
Domestic Bank 1	SAR	2020	6,000,000	272,727	818,182
Domestic Bank 2	SAR	2025	5,000,000	2,306,400	2,691,200
Domestic Bank 3	SAR	2025	10,000,000	8,114,286	9,466,667
Domestic Bank 4	SAR	2020	1,500,000	375,000	1,125,000
Domestic Bank 5	SAR	2021	1,300,000	649,999	1,083,333
Domestic Bank 6***	SAR	2026	3,500,000	2,625,000	3,062,500
Domestic Bank 7	SAR	2024	2,400,000	2,400,000	2,400,000
Domestic Bank 8*	SAR	2026	15,200,000	8,800,000	-
Domestic Bank 9**	SAR	2029	1,850,000	1,850,000	-
Direct loan from the Public Investment Fund	SAR	2024	2,583,375	971,349	1,186,287
International syndicated loan 1	USD	2021	4,057,417	508,484	871,179
International Bank 2	USD	2024	3,709,125	1,279,138	1,588,302
International syndicated loan 3	USD	2026	5,251,120	3,063,048	3,500,575
International syndicated loan 4	USD	2028	7,240,715	5,291,705	5,895,054
International Bank 5	USD	2021	5,625,710	2,812,721	4,687,971
International syndicated loan 6	USD	2029	3,375,585	2,813,023	3,094,316
International syndicated loan 7	USD	2029	1,575,336	1,312,804	1,444,077
International syndicated loan 8	USD	2022	6,562,878	6,562,878	6,562,878
Total value			86,731,261	52,008,562	49,477,521
Less: The current portion of long-term loans				(7,092,371)	(8,555,962)
Less: The Unamortised portion of the prepaid fees				(382,853)	(293,615)
Non-current portion of long-term loans				44,533,338	40,627,944

* On 20 February 2019, the Company signed a financing agreement of SAR 15.2 with a syndicated local bank billion, with the maturity period of 7 years. The financing will be used for general purpose including capital expenditure and is without any guarantee.

** On 9 January 2019, the Company signed a financing agreement of SAR 1.85 billion, with a local bank with the maturity period of 10 years for general purpose and is without any guarantee.

*** During 2019, the loan maturity period was extended for a period of 4 years, until 2026.

The following are short-term loans:

	Loan currency	Principal amount	31 December 2019	31 December 2018
Domestic revolving bank loan 1	SAR	650,000	500,000	650,000
Domestic bank facilities 1	SAR	1,000,000	-	1,000,000
Domestic bank facilities 2	SAR	1,000,000	1,000,000	500,000
Domestic bank facilities 3	SAR	1,000,000	-	1,000,000
Domestic bank facilities 4	SAR	1,500,000	1,500,000	-
Domestic bank facilities 5	SAR	500,000	500,000	-
International commercial payment facilities 1	SAR	375,000	-	71,783
International commercial payment facilities 2	SAR	500,000	-	411,044
International syndicated loan 2	USD	9,750,520	-	2,247,020
International syndicated loan 3	USD	8,066,263	8,066,261	8,066,263
Total short term loans		24,341,783	11,566,261	13,946,110
Add: current portion of long-term loans			7,092,371	8,555,962
Total short term loans and current portion of long term loans			18,658,632	22,502,072

Bank loans for joint operations:

The Group's share in bank loans for joint operations is as follows:

	Loan currency	Maturity date	Principal amount	31 December 2019	31 December 2018
Domestic Bank 1	SAR	2032	3,104,704	2,891,685	2,855,480
International Bank 2	USD	2033	832,400	751,470	1,457,064
International Bank 3	USD	2028	241,000	146,268	163,481
International Bank 4	USD	2033	174,000	154,945	157,958
International Bank 5	USD	2033	142,500	126,758	129,223
International Bank 6	USD	2032	951,422	852,193	883,016
International Bank 7	USD	2026	1,736,250	997,037	1,123,283
Domestic Bank 4	SAR	2036	1,223,000	1,114,915	441,582
Domestic Bank 5	SAR	2032	1,109,550	974,880	1,046,701
Shareholders' loan	SAR	-	50,000	50,000	50,000
International Bank 8	USD	2033	234,179	201,642	212,331
Domestic Bank 6	SAR	2032	495,500	423,405	447,095
Total			10,294,505	8,685,198	8,967,214
Less: Current portion of long term loans				(520,632)	(441,587)
Less: Unamortised portion of upfront and other fees				(223,854)	(264,593)
Non-current portion of long term loans				7,940,712	8,261,034

32.2.2- Sukuks

The outstanding Sukuks as of 31 December 2019 are as follows:

Local sukuks

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 3	10 May 2010	SR 10 Thousand	SR 5.73 Billion	2030
Sukuk 4	30 January 2014	SR 1 Million	SR 4.5 Billion	2054

The above Sukuks have been issued at par value with no discount or premium. The Sukuks bear a rate of return at SIBOR plus a margin payable quarterly from the net income received from the Sukuks assets held by the Sukuk custodian "Electricity Sukuk Company", a wholly owned subsidiary of the Group.

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

	Percentage		
	90%	60%	30%
	First purchase date	Second purchase date	Third purchase date
Sukuk 3	2022	2024	2026

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

The Group repurchased SR 1.27 billion during second quarter of 2017, out of total Sukuk 3 issue of SR 7 billion. The remaining balance has been rescheduled until it is fully purchased before May 2022.

Global Sukuks

- A. During April 2012, the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to (US\$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amount to US\$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amount to US\$ 1.25 billion maturing after 10 years with fixed rate of 4.211%. The Group has repaid SAR 1.9 billion (US \$ 0.5 billion) during the first quarter of 2017, representing the repayment of the first type of these Sukuk.
- B. During April 2013, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to SAR 3.75 billion (US\$ 1 billion) will mature after 10 years with a fixed rate of 3.473%. The second tranche amounting to SAR 3.75 billion (US\$ 1 billion) will mature after 30 years with a fixed rate of 5.06%.
- C. During April 2014, the Group also issued a global Sukuk amounting to SAR 9.4 billion equivalent to (US\$ 2.5 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SAR 5.6 billion (US \$ 1.5 billion), will mature after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US \$ 1 billion) is due after 30 years with a fixed rate of 5.5%.
- D. During September 2018, the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to US\$ 2 billion. The issuance consists of two tranches of Sukuk certificates. The first with a value of SAR 3 billion (US \$ 800 million), have 5 years and four month tenure with a fixed interest rate of 4.222% per annum and the second with a value of SAR 4.5 billion Saudi Riyals (US \$ 1.2 billion), have 10 years tenure with a fixed rate of 4.723% per annum.

32.2.3- Government loans

- A. Pursuant to the Council of Ministers' resolution number 169 dated 11 Sha'ban 1419H Corresponding 30 November, 1998 the net dues of the Government to the Group and the net dues of the Group to the Government, were determined in accordance with rules and procedures stipulated for in the minutes of meetings signed by the Minister of Industry and Electricity and the Minister of Finance and National Economy dated 27 Jumad Thani 1418H corresponding to 29 October 1997. The net difference payable to the Government by the Group, as determined on the business day preceding the issuance of the Royal Decree for the incorporation of the Group, is a non-interest-bearing long-term loan with a grace period of twenty five years starting from the date of the announcement of the incorporation of the Group. The loan is to be revisited later, subject to the financial condition of the Government and the Group.

The minutes of the meeting held on 21 Rajab 1422H corresponding to 8 October 2001 between the Minister of Industry and Electricity and the Minister of Finance and National Economy in which the initial amount of the Government loan was determined, states that the final settlement of Government accounts will be subject to the reconciliation for the claims of the Group from Government entities, and the loan amount shall be adjusted accordingly. During 2005, the Group finalised the amount due which included the claims of the Group and the amounts due to the Government and the agreement was signed between the Minister of Water and Electricity and the Minister of Finance on 15 Rajab 1426H corresponding to 19 August 2005 which brought the balance of Government loan amounted to SAR 14.9 billion. The Group is working with negotiators to find suitable alternatives to deal with the balances of these loans in order to enhance the financial position of the Group and its important role in providing energy in all sectors of the country.

- B. The Council of Ministers approved in its meeting held on Monday 12 Jumad Awal 1431H corresponding to 26 April 2010 to grant the Group a loan amounting to SAR 15 billion repayable over 25 years. The loan was paid to the Group within 2 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. This loan was fully drawn as at 31 December 2019 (31 December 2018: fully drawn). The Group has classified the amount received from the government loan above, at its present value. The Group has classified the payment due on 1 September 2020, which amounts to SAR 1 billion, within the current liabilities.

- C. The Council of Ministers approved in its meeting held on Monday 11 Rajab 1432H corresponding to 13 June 2011 to grant the Group a loan amounting to SAR 51.1 billion repayable over 25 years. The loan has no interest charge and will be paid to the Group within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. The amount of SAR 38.3 billion was withdrawn from the loan as at 31 December 2019 (31 December 2018: SAR 38.3 billion). The Group has recognised the amount received from the above government loan, at its present value.

However, the loan agreement provides that the loan amount will be reduced by proceeds collected by the Group due to any increase in the residential sector tariff. In light of the latest tariff amendments (note 1), the Group is currently determining the effect on the loan maturity or future payments not drawn yet.

- D. The Council of Ministers approved in its meeting held on Monday 9 Jumad Awal 1435H corresponding to 10 March 2014 to grant the Group a loan amounting to SAR 49.4 billion repayable over 25 years. The loan is interest free and will be paid to the Group within 5 years in accordance with an agreement made for this purpose between the Ministry of Finance and the Group. An amount of SAR 16.1 billion from this loan has been drawn as at 31 December 2019 (31 December 2018: SAR 16.1 billion). The Group has recognised the amount received from the Government loan, at its present value.

32.3- Derivative financial instruments

The Group has interest rate hedging contracts with several banks for an amount of SAR 13.12 billion as of 31 December 2019 (2018: SAR 12.46 billion).

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

All derivatives as at 31 December 2019 are classified as cash flow hedges. Derivatives are classified as non-current assets in the Company and as non-current or current liabilities in joint operation, depending on the expiration date of the financial instruments.

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

	31 December 2019	31 December 2018
Derivative financial instruments at fair value:		
Current	61,211	24,700
Non-current	572,591	268,035
	633,802	292,735

33- Advance from customers

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

34- Zakat and income tax

34.1- Charge for the year

Zakat and tax for the year is as follows:

	31 December 2019	31 December 2018
Zakat for the year	79,848	9,741
Tax for the year	35	-
Deferred tax for the year	140,728	49,774
	220,611	59,515

Deferred tax has been charged as follows:

	31 December 2019	31 December 2018
Consolidated statement of income	140,728	49,774
Consolidated statement of comprehensive income	(8,477)	(6,885)

Under the Royal Order A/136, dated 28 Jumada II 1438H, corresponding to 27 March 2017 all the shares in Kingdom resident companies held by Saudi Arabian Oil Company (Saudi Aramco) are subject to income tax law rather than zakat effective 1 January 2017. Accordingly, deferred tax has been recognised for Saudi Aramco's owned interest in the Group.

34.1.1- Allocation of Zakat based on the group companies:

	31 December 2019	31 December 2018
Saudi Electricity Company (no Zakat base and adjusted net loss)	-	-
National Grid S.A. Company (Zakat is calculated on adjusted net income)	70,978	-
Dawiyat Telecom Company	2,329	3,109
Dawiyat Telecom Company for Communication and Information Technology	5,158	-
Saudi Company for Power Purchase	24	24
Saudi Electricity Global Sukuk Company	8	8
Saudi Company for Power Purchase	109	109
Joint operation	1,277	6,491
	79,883	9,741

34.1.2- Reconciliation between tax expense and accounting income at applicable tax rate is as follows:

	31 December 2019	31 December 2018
Income before Zakat and tax	1,608,168	1,816,648
Income subject to income tax (6.93%)	121,344	125,894
Income tax at applicable tax rate (20%)	24,269	25,179
Tax effect of:		
Difference between accounting and tax depreciation	(273,476)	(194,878)
Provisions	(7,886)	(14,075)
Interest on loans in excess of allowed limit	68,156	57,557
Deferred tax impact of property, plant and equipment	125,317	125,601
Deferred tax impact of provision	10,657	(80,528)
Deferred tax impact from Joint operations	4,753	4,701
	(48,210)	(76,443)
Unrecognised income tax	188,938	126,217
Tax expense as per consolidated statement of income	140,728	49,774

34.2- Zakat

Zakat base for the year is calculated as follows

	31 December 2019	31 December 2018
Income for the year before zakat and tax	1,608,168	1,816,648
Less: Zakat adjustments	213,747	(12,360,369)
Net adjusted loss	1,821,915	(10,543,721)

Zakat base for Saudi Electricity is calculated as follows:

	31 December 2019	31 December 2018
Share capital	41,665,938	41,665,938
Net adjusted gain / (loss)	1,821,915	(10,543,721)
Retained reserves	5,128,007	4,346,770
Opening retained earnings	25,720,992	26,296,699
Retained allowances	5,674,603	6,343,084
Long term loans and Sukuks	110,943,050	111,121,799
Government loans and deferred grants	92,363,629	90,996,304
Contractors accruals and others	1,150,149	3,586,203
	284,468,283	273,813,076
Deduct:		
Fixed assets and construction work in progress, net	423,927,348	379,632,841
Long term investments	1,427,682	2,548,265
Material and spare parts inventories	4,044,731	3,796,315
Zakat base	(144,931,478)	(112,164,345)

The Company has filed the zakat returns until 2008; the Company also submitted zakat declarations for the years 2009 to 2016, which are still under review by the General Authority for Zakat and Income tax. A claim of SR 375 million has been received for the years 2009-2014 by the Company. The Company does not expect that this claim will result in any future obligation.

The Group has submitted the Zakat return to the authorities for the year ended 31 December 2018 within the statutory term.

34.3- Deferred tax

The deferred tax for Saudi Electricity Company is as follows:

	Consolidated Financial Statement	
	31 December 2019	31 December 2018
Property, plant and equipment	506,253	380,936
Provisions	(123,028)	(133,685)
Deferred tax expense (benefit)	383,225	247,251

The net deferred tax liability from joint operations is equivalent to SAR 25.7 Million as of 31 December 2019 (2018: SAR 29.4 million) recognized on assets and liabilities.

	Consolidated Income statement	
	31 December 2019	31 December 2018
Property, plant and equipment	125,317	125,600
Provisions	10,657	(80,527)
Deferred tax expense (benefit)	135,974	45,073

The deferred tax expense from joint operations is equivalent to SAR 4.8 million (2018: SAR 4.7 million).

Component wise movement of deferred tax is as follows:

	For the year ended	
	31 December 2019	31 December 2018
Balance at the beginning of the year	(276,683)	(233,794)
Tax expense during the year recognized in the consolidated statement of income	(140,728)	(49,774)
Income / (expense) during the year recognized in the consolidated statement of comprehensive income	8,477	6,885
Balance at the end of the year	(408,934)	(276,683)

The deferred tax balances are as follows:

	For the year ended	
	31 December 2019	31 December 2018
Deferred tax assets	17,823	21,294
Deferred tax liabilities	(426,757)	(297,977)
	(408,934)	(276,683)

34.4- Value Added Tax

The Company has submitted VAT and payments within the statutory term.

35- Contingent liabilities

- A. There is a disagreement between the Group and Saudi Aramco over the supply of light oil rather than heavy oil to one of the stations, as per the Group's requirements, resulting in a cumulative difference of SR 3.4 billion (31 December 2018: SAR 3.2 billion) that was not recorded as a liability in the Group's records. In addition, the Group is not expecting any claim as a result of this disagreement.
- B. The Group has provided guarantees to some commercial banks for their share of the financing loan granted to some of the investee companies. The value of the guarantees as at 31 December 2019, amounted to SR 525 million (31 December 2018: SR 513 million).

36- Capital commitments

These comprise the unexecuted portion of capital contracts for the erection and installation of power plants and other assets amounting to SR 42.7 billion (31 December 2018: SR 41.4 billion).

37- Earnings per share

Basic earnings per share is calculated by dividing the income attributable to equity holders of the Holding Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by dividing the income for the year by the adjusted weighted average number of ordinary shares outstanding during the year, to assume conversion of all dilutive potential shares into ordinary shares.

The diluted earnings per share equal to the basic earnings per share for the year ended 31 December 2019 and 31 December 2018 as there are no financial instruments with a dilutive effect on basic earnings per share.

	For the year ended	
	31 December 2019	31 December 2018
Income for the year (thousands Saudi Riyal)	1,387,557,000	1,757,133,000
Weighted average number of ordinary shares in issue "share"	4,166,593,815	4,166,593,815
Basic and diluted earnings per share (SAR)	0.33	0.42

38- Related-party transactions

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

Following transactions were carried out with related parties:

A) Sales of electricity

	For the year ended	
	31 December 2019	31 December 2018
Sales of electricity:		
Group's ultimate controlling party	12,863,475	12,753,544
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	428,852	333,689
Saline Water Conversion Corporation	533,452	651,812
Total	13,825,779	13,739,045

B) Purchases of energy and fuel

	For the year ended	
	31 December 2019	31 December 2018
Entities under control of the Group's ultimate controlling party:		
Saudi Aramco	8,858,565	7,670,876
Saline Water Conversion Corporation	290,152	570,566
Joint operations:		
Dhuruma Electricity Company	638,454	563,849
Rabigh Electricity Company	753,390	908,292
Hajr for Electricity Production Company	734,679	713,019
Al Mourjan for Electricity Production Company	387,319	422,415
Total	11,662,559	10,849,017

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation at rates stipulated for in the respective governmental resolutions. Also, the purchasing power transitions from joint operations according to the signed agreement with them.

C) Year-end balances arising from sales of electricity/purchases of energy

Due from related parties:	31 December 2019	31 December 2018
Entities under control of the Group's ultimate controlling party	27,878,902	16,350,324
Saudi Aramco	1,438,355	2,029,505
Saline Water Conversion Corporation	1,542,281	615,995
Al-Fadhli Co-production loans	253,874	-
Total due from related parties	31,113,412	18,995,824
Due to related parties:		
Group's ultimate controlling party		
Governmental payables	92,495,037	92,494,578
Total due from related parties	92,495,037	92,494,578
Entities under control of the Group's ultimate controlling party		
Payable to Saudi Aramco *	18,272,055	9,675,125
Saline Water Conversion Corporation	515,354	606,774
	18,787,409	10,281,899

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

Loans and advances from related parties

	31 December 2019	31 December 2018
Group's ultimate controlling party		
Government loans	48,698,302	46,456,909
Deferred government grants	43,665,327	44,539,395
Public Investment Fund loans	971,349	1,186,287
	93,334,978	92,182,591

D) Compensation of key management personnel of the Group

Key management consists of Board members and executive management. The compensation paid or earned by key management official are illustrated below:

	31 December 2019	31 December 2018
Salaries and allowances	8,765	11,757
Annual and periodic benefits	9,802	9,417
End of service benefits	-	6,672
Total	18,567	27,846

39- Operating revenue

	For the year ended	
	31 December 2019	31 December 2018
Electricity sales	58,864,725	59,623,454
Electricity service connection tariffs	1,833,897	1,608,189
Meter reading, maintenance and bills preparation tariffs	1,347,934	1,303,731
Transmission system revenues	1,131,341	1,005,651
Other operational revenue *	1,862,103	522,613
	65,040,000	64,063,638

* Based on the Royal Decree Number 2719 – Dated 14/01/1438H (corresponding date 15 October 2016), and further elaboration received in a letter from the Ministry of Finance (Ministerial letter Number 5627 – Dated 02/06/1441H) dated 27 January 2020, a balancing account has been activated by the government effective 2019 which aims to bring financial stability for the power sector by filling the gap between the actual operating revenue and the regulated operating revenue as determined under operating revenue cap. The Company has recognized such operating revenue injection as other operating income amounting to SAR 1.1 billion as at 31 December 2019 in the consolidated statement of income for the current year with the total regulated operating revenue being capped at SAR 65.04 billion for the year 2019.

40- Costs of revenue

	For the year ended	
	31 December 2019	31 December 2018
Depreciation of operation and maintenance assets	18,204,381	16,434,137
Operation and maintenance expenses	10,678,003	11,082,397
Fuel	7,576,427	7,669,664
Purchased energy	7,804,921	8,254,046
Government fees	14,493,692	14,703,780
Depreciation of right of use assets	158,459	-
	58,915,883	58,144,024

41- General and administrative expenses

	For the year ended	
	31 December 2019	31 December 2018
Employees' expenses	490,055	789,350
Depreciation – Operations and maintenance	450,843	414,426
Depreciation - Investment property	2,669	-
Materials	42,436	34,443
Communication fee	84,145	42,485
Others	174,377	59,328
	1,244,525	1,340,032

42- Other income, net

	For the year ended	
	31 December 2019	31 December 2018
Amortisation of government grants	1,327,074	1,215,508
Penalties and fines	99,323	48,951
Dividend income	57,608	24,918
Sale of tender documents	2,719	1,898
Gain on disposal of property, plant and equipment, net	21,784	56,063
Others, net	147,230	88,683
	1,655,738	1,436,021

43- Finance costs, net

	For the year ended	
	31 December 2019	31 December 2018
Finance expense, net		
Bank borrowings	4,561,733	4,158,602
Government loans	2,241,393	2,092,282
Lease obligation	12,583	-
Less: Capitalised interest	(2,085,924)	(2,278,309)
Total	4,729,785	3,972,575
Changes in the present values of the employees' benefits obligations	177,923	171,305
Changes in the present values of the asset retirement obligation	9,728	8,853
Total finance expenses	4,917,436	4,152,733
Interest income	(30,503)	(16,116)
Total interest income	(30,503)	(16,116)
Net finance costs	4,886,933	4,136,617

44 - 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 described 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 as at 31 December were as follows:

	31 December 2019	31 December 2018
Total borrowings	110,943,050	111,121,799
Less: Cash and cash equivalents	(1,918,304)	(2,429,213)
Adjusted net debt	109,024,746	108,692,586
Total equity	73,569,872	73,677,778
Adjusted equity and net debt	182,594,618	182,370,364
Adjusted debt to equity ratio	61%	60%

45- Financial risk management

45.1- 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 statement of financial position	31 December 2019		
	Financial assets through other comprehensive income	Financial assets at amortised cost	Total
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	325,075	-	325,075
Financial assets not measured at fair value			
Financial asset at amortized cost	-	38,381	38,381
Cash and cash equivalents	-	1,918,304	1,918,304
Electricity receivables, net	-	44,884,004	44,884,004
Debit balances and advances	-	318,707	318,707
Other receivables	-	1,247,942	1,247,942
Total	325,075	48,407,338	48,732,413

Financial assets as per the statement of financial position	31 December 2018		
	Financial assets through other comprehensive income	Financial assets at amortised cost	Total
Financial assets measured at fair value			
Financial asset through Other Comprehensive Income	299,365	-	299,365
Financial assets not measured at fair value			
Financial asset at amortized cost	-	42,634	42,634
Cash and cash equivalents	-	2,429,213	2,429,213
Electricity receivables, net	-	35,131,473	35,131,473
Debit balances and advances	-	23,406	23,406
Other receivables	-	476,323	476,323
Total	299,365	38,103,049	38,402,414

Liabilities as per the statement of financial position	31 December 2019		
	Derivatives	Other financial liabilities at amortised cost	Total
Financial liabilities measured at fair value			
Derivative financial instruments	633,802	-	633,802
Financial liabilities not measured at fair value			
Loans		71,653,314	71,653,314
Sukuk		39,289,736	39,289,736
Government loans		48,698,302	48,698,302
Trade payables		22,424,873	22,424,873
Accruals and other payables		12,749,282	12,749,282
Government payable		92,495,037	92,495,037
Total	633,802	287,310,544	287,944,346

Liabilities as per the statement of financial position	31 December 2018		
	Derivatives	Other financial liabilities at amortised cost	Total
Financial liabilities measured at fair value			
Derivative financial instruments	292,735	-	292,735
Financial liabilities not measured at fair value			
Loans	-	71,832,637	71,832,637
Sukuk	-	39,289,162	39,289,162
Government loans	-	46,456,909	46,456,909
Trade payables	-	17,050,314	17,050,314
Accruals and other payables	-	12,834,839	12,834,839
Government payable	-	92,494,578	92,494,578
Total	292,735	279,958,439	280,251,174

45.2- Risk management framework

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 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.

45.2.1- Market risk

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

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

A) Foreign currency risk

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

Foreign currency risk is linked to the change in value in the functional currency due to the difference in the underlying foreign currency of the relevant transaction. The Group's functional currency is the Saudi Riyal, which is pegged to the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals against the US Dollar. Except for US Dollar, most of the significant transaction are not subject to foreign currency risk.

The financial assets in US Dollar amounted to USD 46 million as of 31 December 2019 (31 December 2018: USD 62 million), while the financial liabilities in US Dollar amounted to USD 16.9 billion (31 December 2018: USD 18.9 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;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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

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

	31 December 2019	31 December 2018
Variable interest rate borrowings	81,367,250	81,183,270
Fixed interest rate borrowings	29,575,800	29,938,529

Interest rate sensitivity

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

	For year ended 31 December 2019			
	Income or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Loans at variable-rates	(733,284)	733,284	-	-
Interest rate swaps	-	-	6,338	(6,338)
Cash-flow sensitivity	(733,284)	733,284	6,338	(6,338)

	For year ended 31 December 2018			
	Income or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Loans at variable-rates	(737,870)	737,870	-	-
Interest rate swaps	-	-	2,927	(2,927)
Cash-flow sensitivity	(737,870)	737,870	2,927	(2,927)

C) Other price risk

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

45.2.2- Credit risk

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Sales are settled in cash, SADAD or using major credit cards.

Impairment on financial assets consist of:

	31 December 2019	31 December 2018
Provision for impairment of receivables	1,549,779	1,614,560
Provision for impairment of debt instruments at amortized cost	76	76
Other receivables	186,383	57,254

The credit quality of financial assets that are neither past due nor impaired is as follows:

		31 December 2019	31 December 2018
Simplified approach	Less than 3 months	5,745,619	8,748,498
	More than 3 months and less than 6 months	539,217	250,338
	More than 6 months and less than a year	684,998	156,739
	More than a year	874,758	817,316
General approach	-	38,589,191	26,773,142
		46,433,783	36,746,033

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

The Company believes that it is able to collect receivables that exceed the year because it mainly represents government receivables at 98% of total outstanding debts for more than one year. According to the Company's policy, no provision for doubtful debts is recognized for government entities. The Company also believes that it is able to collect non-governmental receivables through the Company's ability to stop providing services to those who are late in paying their indebtedness in addition to their legal follow-up with the competent authorities. Non-government receivables account for 2% of total outstanding receivables for more than one year.

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

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

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

The Group's exposure to credit risk for electricity consumers as of 31 December 2019 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Electricity receivables	34,674,706	4,809,403	6,949,674	46,433,783
Deduct				
Provision for decrease in accounts receivable of electricity consumers book values	(5,239)	(591,424)	(953,116)	(1,549,779)
	34,669,467	4,217,979	5,996,558	44,884,004

The Group's exposure to credit risk for electricity consumers as of 31 December 2018 is as follows:

	Credit losses Expected over 12 months	Credit losses Expected over the age period and not decreased its Credit value	Credit losses Expected over the age period and declined its credit value	Total
Electricity receivables	25,627,715	7,945,066	3,173,252	36,746,033
Deduct				
Provision for decrease in accounts receivable of electricity consumers Book value	(22,525)	(1,149,778)	(442,257)	(1,614,560)
	25,605,190	6,795,288	2,730,995	35,131,473

Cash and cash equivalent are placed with commercial banks having investment grade credit rating.

On 31 December 2019 and 31 December 2018, there are no collateral financial instruments held.

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

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

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

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

45.2.3- Liquidity risk

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

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

The Group expects to meet its future financial obligations through cash receipts from receivables and through facilities and bank 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.

Current liabilities include SR 125.9 billion (2018: SAR 111.7 billion) of government liabilities which the Company manages based on their liquidity position in coordination with government entities.

	31 December 2019				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Loans	19,179,264	5,278,102	21,506,843	25,689,105	71,653,314
Sukuk	-	-	15,187,500	24,102,236	39,289,736
Government loans	1,000,000	1,000,000	3,099,000	43,599,302	48,698,302
Trade payables	22,424,873	-	-	-	22,424,873
Accrued expenses and other liabilities	12,749,282	-	-	-	12,749,282
Lease obligation	143,820	64,542	40,113	-	248,475
Government payables	92,495,037	-	-	-	92,495,037
Derivative financial instruments	61,211	572,591	-	-	633,802
Total	148,053,487	6,915,235	39,833,456	93,390,643	288,192,821

	31 December 2018				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Non-derivative financial liabilities:					
Loans	22,943,659	8,480,388	21,839,084	18,569,506	71,832,637
Sukuk	-	-	14,168,190	25,120,972	39,289,162
Government loans	-	928,797	3,099,298	42,428,814	46,456,909
Trade payables	17,050,314	-	-	-	17,050,314
Accrued expenses and other liabilities	12,834,839	-	-	-	12,834,839
Government payables	92,494,578	-	-	-	92,494,578
Derivative financial instruments	54,833	237,902	-	-	292,735
Total	145,378,223	9,647,087	39,106,572	86,119,292	280,251,174

45.3- 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.
- 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).

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest input that

is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the group's financial assets and liabilities that are measured at fair value as of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Assets				
Financial asset through other comprehensive income	-	-	325,075	325,075
Total assets	-	-	325,075	325,075
Liabilities				
Derivatives used for hedging		633,802	-	633,802
Financial instruments liabilities	-	633,802	--	633,802

The following table presents the group's financial assets and liabilities that are measured at fair value as of 31 December 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	-	-	299,365	299,365
Total assets	-	-	299,365	299,365
Liabilities				
Derivatives used for hedging	-	292,735	-	292,735
Financial instruments liabilities	-	292,735	-	292,735

Valuation techniques used to derive level 2 fair-value

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

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

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

Unrealized gross (loss) / profit for the year ended 31 December 2019 included in other comprehensive income ("change in fair value of financial asset at other comprehensive income") for financial statement at other comprehensive income amounted to SAR 25.7 million (2018: SAR (6.3) million).

As at 31 December 2019, projected dividends and cost of equity are the main input variables for the model for the fair valuation of financial asset at other comprehensive income.

An increase of 5% in the cost of equity will lead to a decrease of SAR 13.5 million (31 December 2018: SAR 12.5 million decrease) in the fair valuation of financial assets through other comprehensive income, while a decrease of 5% in the cost of equity will lead to an increase of SAR 14.6 million (31 December 2018: SAR 13.5 million increase) in the fair valuation. The risk reduction rate in 2019 was 9.5% (2018: 9.6%).

A 5% increase in expected income will result in an increase of SAR 16.3 million (31 December 2018: SAR 15 million increase) in the fair valuation of financial asset through other comprehensive income, while a 5% decrease in expected income will result in an decrease of SAR 16.3 million (31 December 2018: SAR 15 million decrease) in the fair valuation

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

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

	31 December 2019	31 December 2018
Opening balance	299,365	305,622
Change in present value of the financial assets through other comprehensive income	25,710	(6,257)
Closing balance	325,075	299,365

Fair values of financial assets and liabilities measured at amortised cost

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

46- Non-cash transactions

Primary non-cash transaction during the year ended 31 December 2019 are clearing of some of the debit balances due to some of the electricity consumers' receivables with the credit balances of those entities in the amount of SAR 1.4 billion.

47- Approval of the consolidated financial statements

The Group's consolidated financial statements were approved by the Group's Board of Directors on 1 Rajab 1441H, corresponding to 25 February, 2020.



www.se.com.sa

   /ALKAHRABA   /SEC_ALKAHRABA