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MARAFIQ

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

A Saudi joint stock company established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G) and registered under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05/09/2001G)

Offering of seventy-three million, ninety-four thousand and five hundred (73,094,500) ordinary shares representing 29.24% of the share capital of the Power and Water Utility Company for Jubail and Yanbu (Marafiq) through an initial public offering, at an Offer Price of SAR [•] per share.

Offering Period: Four (4) calendar days starting on Wednesday dated 01/04/1444H (corresponding to 26/10/2022G) and ending on Saturday dated 04/04/1444H (corresponding to 29/10/2022G).

The Power and Water Utility Company for Jubail and Yanbu (Marafiq) (hereinafter referred to as the "**Company,**" "**Marafiq**" or the "**Issuer**") is a Saudi closed joint stock company registered under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05/09/2001G). The Company was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G), and its head office is in Jubail Industrial City, First Industrial Support Area, Street 3522, Road No. 100, Unit No. 1, Jubail 35717-8894, Postal Code 31961 P.O. Box 11133, Kingdom of Saudi Arabia (the "**Kingdom**"). (The Company and its Subsidiaries are collectively referred to as the "**Group**" or "**Marafiq Group**").

The Company was established on 17/06/1422H (corresponding to 05/09/2001G) as a Saudi closed joint stock company with a share capital of two billion and five hundred million Saudi Riyals (SAR 2,500,000,000), of which six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) were paid upon incorporation (equivalent to 25% of the issued share capital), divided into fifty million (50,000,000) shares, all of which are of equal value, with a nominal value of fifty Saudi Riyals (SAR 50) per share. In January 2003G, part of the share capital amounting to six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) was paid (equivalent to 25% of the issued share capital). On 19 October 2008G, the remainder of the cash share value of one billion, two hundred and fifty million Saudi Riyals (SAR 1,250,000,000) was paid, completing the payment of the entire share capital. On 19/05/1434H (corresponding to 31 March 2013G), the Extraordinary General Assembly of the Company decided to reduce the nominal value of the share to ten Saudi Riyals (SAR 10) and consequently the number of shares was adjusted to two hundred and fifty million (250,000,000) ordinary shares, all of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary cash shares (for further details, please refer to Section 4.3.3 ("**History and Evolution**"). Accordingly, the Company's current capital amounts to two billion, five hundred million Saudi riyals (SAR 2,500,000,000), fully paid, divided into two hundred fifty million (250,000,000) nominal shares, all of which are of equal value, with a value of ten Saudi riyals (SAR 10) per share and shares are ordinary cash shares.

The initial public offering of the Company's shares (the "**Offering**") will consist of seventy-three million, ninety-four thousand and five hundred (73,094,500) ordinary shares (collectively, the "**Offer Shares**" and each an "**Offer Share**"). The offer price will be ([•]) Saudi Riyals per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary shares of one class, and none of which carry any preferential voting rights. Each share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the Shareholders' General Assembly (please refer to Section 12.13 ("**Summary of Bylaws**") and Section 12.14 ("**Description of the Shares**") of Section 12 ("**Legal Information**") of this Prospectus). The Offer Shares account for 29.24% of the issued capital of the Company. All of the Offer Shares will be sold by the Substantial Shareholders (those who own 5% or more of the Company's shares), namely the Royal Commission for Jubail and Yanbu (RCJY) (which owns 24.81%), the Public Investment Fund (which owns 24.81%), Saudi Aramco Power Company (which owns 24.81%) and Saudi Basic Industries Corporation (SABIC) (which owns 24.81%).

The Offering shall be limited to two tranches of investors (the "**Investors**") as follows:

Tranche (A): Participating Parties: This tranche comprises a number of institutions and companies, including investment funds, companies, qualified foreign investors ("**QFI**") and GCC investors with legal personality (collectively referred to as the "Participating Parties") who are entitled to participate in the book building process as specified under the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) (the "**Book Building Instructions**") issued by the Capital Market Authority ("**CMA**"). Please refer to Section 1 ("**Definitions and Abbreviations**") for more information. Participating Parties will initially be allocated seventy-three million, ninety-four thousand and five hundred (73,094,500) Offer Shares, representing 100% of the Offer Shares and the final allocation will be made after the end of the subscription period for Individual Subscribers (as defined in Tranche (B) below). In the event that Individual Subscribers subscribe for the Offer Shares allocated thereto, the Financial Advisors shall have the right to reduce the number of Offer Shares allocated to Participating Parties to fifty one million, hundred and sixty six thousands, hundred and fifty (51,166,150) shares, representing ninety percent (70%) of the Offer Shares. The Financial Advisors, in coordination with the Company, (each as defined in Section 1 ("**Definitions and Abbreviations**")), shall determine the number and percentage of Offer Shares to be allocated to Participating Parties, using the discretionary allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares as deemed appropriate by the Company and the Financial Advisors.

Tranche (B): Individual Subscribers: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals, in each case, who have a bank account, and are entitled to open an investment account, with one of the Receiving Agents (collectively referred to as the "**Individual Subscribers,**" and each an "**Individual Subscriber**" and together with the Participating Parties as the "**Subscribers**"). A subscription for Shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of twenty one million, nine hundred and twenty eight thousands, three hundred and fifty (21,928,350) Offer Shares representing ten percent (30%) of the Offer Shares shall be allocated to Individual Subscribers. If Individual Subscribers do not subscribe for all the Offer Shares allocated thereto, the Financial Advisors may reduce the number of Shares allocated to them in proportion to the number of Shares to which they subscribed.

According to Table 5.1 ("**Company's Shareholding Structure Before and After the Offering**"), the Company's current shareholders (hereinafter collectively referred to as the "**Current Shareholders**") own all of the Company's shares prior to the Offering. The Offer Shares shall be sold by (i) the RC, (ii) the Public Investment Fund (PIF), (iii) Saudi Aramco Power Company and (iv) Saudi Basic Industries Corporation (SABIC) (collectively referred to as the "**Selling Shareholders**"), who are the Substantial Shareholders of the Company. Upon completion of the Offering, the Selling Shareholders will collectively own seventy percent (70%) of the Company's shares and will consequently retain a controlling interest in the Company. The Offering proceeds, after deduction of the Offering Expenses (the "**Net Proceeds**"), will be distributed to the Selling Shareholders in proportion to their ownership of the Offer Shares. The Company will not receive any part of the Net Proceeds (for more information on the use of the Offering proceeds, please refer to Section 8 ("**Use of Offering Proceeds**") of this Prospectus). The Offering has been fully underwritten by the Underwriters (for further details, please refer to Section 13 ("**Underwriting**") of this Prospectus). The Substantial Shareholders will be prohibited from disposing of their shares for a period of six (6) months from the date of commencement of trading of the Company's shares on the Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as indicated in the ("**Offering Summary**") Section of this Prospectus. Following the Lock-up Period, the Substantial Shareholders will be free to dispose of their shares, as indicated on page (379) of this Prospectus.

The Offering will be made to certain qualified foreign financial institutional investors outside the United States (including by way of swap agreements) in accordance with Regulation S issued under the United States Securities Act of 1933G, as amended (the "**US Securities Act**"). The shares have not been, and will not be, registered under the US Securities Act or under any other applicable securities law in the United States. No Offer Shares under this Prospectus may be offered or sold in the United States of America, nor may they be offered or sold except in the context of transactions that are exempt from or not subject to any registration requirements under the US Securities Act or the securities laws of any country other than the Kingdom of Saudi Arabia. This Offering does not constitute an invitation to sell shares or a solicitation to buy them in any country where this Offering is unlawful or is not permitted.

The Offering will commence on Wednesday dated 01/04/1444H (corresponding to 26/10/2022G), and will remain open for a period of Four (4) calendar days up to and including the closing day on Saturday dated 04/04/1444H (corresponding to 29/10/2022G) (the "**Offering Period**"). Subscription to the Offer Shares can be made through any of the Receiving Agents (the "**Receiving Agents**") listed on page (x) of this Prospectus during the Offering Period or through the internet, telephone banking, automated teller machines ("**ATMs**") or other electronic channels offered by the Receiving Agents to their clients (for further details, please refer to the Section ("**Key Dates and Subscription Procedures**") and Section 17 ("**Share Information and Subscription Terms and Conditions**") of this Prospectus). Participating Parties may subscribe for the Offer Shares through the Bookrunners during the Book Building Process, which will take place prior to the Offering of the shares to Individual Subscribers.

Each Individual Subscriber must apply for a minimum of ten (10) Offer Shares. The minimum number of Offer Shares that can be allocated is ten (10) shares, while the maximum number is two hundred and fifty thousand (250,000) shares. The balance of the Offer Shares, if any, will be allocated pro rata based on the number of Offer Shares requested by each Individual Investor and the total number of the Offer Shares requested for subscription. In the event that the number of Subscribers exceeds two million, hundred and ninety two thousands, eight hundred and thirty five (2,192,835) Subscribers, the Company will not guarantee the minimum allocation of ten (10) Offer Shares per Subscriber. In this case, the allocation will be determined at the discretion of the Company and the Financial Advisors. Excess subscription monies, if any, will be refunded to the Individual Subscribers without any charge or commission being withheld by the Receiving Agents. An announcement of the final allotment on Wednesday dated 08/04/1444H (corresponding to 02/11/2022G) and refund of subscription monies, if any, will be made no later than Sunday dated 12/04/1444H (corresponding to 06/11/2022G) (refer to the Subsection "**Allocation of Shares and Refund of Excess Subscription Monies**" of Section 17 ("**Share Information and Subscription Terms and Conditions**") of this Prospectus).

The Company has one class of ordinary shares. Each share entitles its holder to one vote, and each shareholder has the right to attend and vote at the General Assembly meetings of the Company (the "**General Assembly**"). No shareholder benefits from any preferential voting rights. The Offer Shares will entitle holders to receive their portion of any dividends declared by the Company as at the date of this Prospectus and for any subsequent financial years (please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).

Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application for registration and offer of the shares to the CMA, and an application for listing of the shares on the Exchange to the Saudi Exchange Company. All required supporting documents have been submitted to the competent authorities. All relevant regulatory approvals required to conduct the Offering have been granted. It is expected that trading in the shares will commence on the Exchange after the final allocation of the Offer Shares and satisfaction of regulatory requirements (for further details, please refer to the "**Key Dates and Subscription Procedures**" Section). Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residency permits in the Kingdom and companies, banks and investment funds established in the Kingdom or in GCC countries, as well as GCC nationals, will be permitted to trade in the shares after the shares are registered with the CMA and admitted by the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade the shares in accordance with the QFI Rules and Foreign Strategic Investors will be permitted to trade the shares in accordance with the FSI Instructions (all as defined herein). Furthermore, non-GCC nationals who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom will be permitted to acquire an economic interest in the shares by entering into swap agreements with capital market institutions authorized by the CMA ("**Capital Market Institutions**"). Under such swap agreements, the Capital Market Institutions will be registered as the legal owner of such shares.

Investment in the Offer Shares involves certain risks and uncertainties. Please refer to the "**Important Notice**" Section on page (i) and Section 2 ("**Risk Factors**") of this Prospectus for certain factors that should be carefully considered before deciding to subscribe for the Offer Shares.

This Prospectus is dated 30 Safar 1444H (corresponding to 26 September 2022G).

Financial Advisors, Bookrunners, Joint Global Coordinators and Underwriters

HSBC

الرياض المالية
Riyad Capital

مرافق
MARAFIQ

IMPORTANT NOTICE

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available by visiting the websites of Tadawul (www.saudiexchange.sa), the CMA (www.cma.org.sa), the Financial Advisors (www.hsbcsaudi.com) and (www.riyadcapital.com) or the Company (www.marafiq.com.sa/ar).

The Company has appointed HSBC Saudi Arabia and Riyad Capital as its financial advisors and global coordinators in connection with the Offering (the "**Financial Advisors**"), Bookrunner and Underwriter (the "**Underwriter**"). The Company has also appointed HSBC Saudi Arabia as the retail subscription and settlement coordinator (the "**Retail Subscription and Settlement Coordinator**") in connection with the Offering of the Offer Shares described in this Prospectus (for further details, please refer to Section 13 ("**Underwriting**") of this Prospectus).

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations ("**OSCOs**") issued by the CMA. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and having made all reasonable inquiries, confirm that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in this Prospectus which is relevant to the market and industry in which the Company operates is derived from external sources, Company management estimates and publicly available information, data and analysis from publications issued by data, information and news providers. While neither the Company nor any of its Advisors have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and, therefore, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or any economic, political or other factors, over which the Company has no control (for further details, please refer to Section 2 ("**Risk Factors**") of this Prospectus). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way as a promise, affirmation or representation as to future earnings, results or events of the Company.

This Prospectus should not be regarded as a recommendation on the part of the Company, the Board of Directors, the Selling Shareholders, or the Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA-licensed financial advisor in relation to the Offering to assess the appropriateness of the financial information provided herein with regard to the recipient's individual objectives, financial situation and investment needs, and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and investment needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others. Therefore, prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering shall be limited to: (A) Participating Parties, comprising a number of institutions and companies, including investment funds, qualified foreign investors and companies, and GCC investors with legal personality (please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus); and (B) Individual Subscribers. This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for Shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

It is expressly prohibited to distribute this Prospectus or to sell the Offer Shares to any person outside the Kingdom of Saudi Arabia, other than to Qualified Foreign Investors and/or certain other Foreign Investors pursuant to swap agreements. The Company and its Financial Advisors ask all recipients of this Prospectus to inform themselves of all legal and regulatory restrictions relevant to this Offering and the sale of the shares and to observe all such restrictions. Each eligible Individual Investor and Participating Party should read the entire Prospectus and seek and rely on their own counsel, financial advisors and other professional advisors for advice concerning the various legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares and will be responsible for the fees of their own counsel, accountants and other advisors as to all matters concerning an investment in the Company's shares. No assurance can be made that profits will be achieved.

MARKET AND INDUSTRY DATA

The information contained in this report is derived from an independent market study prepared by London Economics exclusively for Marafiq (the Company). The Company contracted with London Economics to prepare a market study which covers the sectors of desalinated water, seawater, wastewater, gas and electricity in the Kingdom of Saudi Arabia, in addition to the Company's economic prospects in the context of the Company's initial public offering on the Saudi Stock Exchange ("**Tadawul**").

London Economics is a leading global economics consulting firm. It provides specialized consulting to an international client base on economic and financial analysis, energy, litigation, policy development and evaluation, business strategy and regulatory and competition policy. The advisors at London Economics who provide regulatory and transactional consulting have extensive experience in the electricity and water sectors in the Middle East and internationally. For more information, please visit www.londoneconomics.co.uk.

London Economics has given its written consent to the use of its name, market information and the data provided to the Company as described herein. This consent has not been withdrawn as at the date of this Prospectus. Neither London Economics nor its employees, their relatives or its subsidiaries have any shares or interest of any kind in the Company, its subsidiaries or Related Parties.

The Directors believe that the information and data contained herein that is taken from other sources, including the information provided by market study advisors, is reliable. However, neither the Company nor its Directors, managers or other advisors have checked or verified the accuracy or completeness of the information described in this section and none of them bear any liability with respect to such information.

The conclusions expressed in this section are based on the best professional judgment of London Economics, which is based in part on materials and information provided to it by third-party research agencies, government agencies, the Company and others. No third party which uses this report may be exempted from performing their due diligence to verify the contents of the report.

FINANCIAL INFORMATION

The Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and the accompanying notes were prepared in accordance with the International Financial Reporting Standards (IFRS). The Company's consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G were audited by KPMG Professional Services (hereinafter referred to as the "**Auditor**"). These financial statements have been included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus. The Company publishes its financial statements in Saudi riyals.

Some financial and statistical information contained in this Prospectus has been rounded up to the nearest integer. Therefore, if the figures contained in the tables are added up, the total may not match that mentioned in the Prospectus.

FORECASTS AND FORWARD-LOOKING STATEMENTS

The forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used, and consequently, no affirmation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company stresses that every professional care has been taken in preparing the statements contained in this Prospectus. Certain statements in this Prospectus constitute "forward-looking statements." Such statements can generally be identified by their use of forward-looking words such as "**plans,**" "**estimates,**" "**believes,**" "**expects,**" "**may,**" "**will,**" "**should,**" "**expected,**" "**would be,**" "**believed**" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its Management with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to Section 2 ("**Risk Factors**") of this Prospectus). Should any one or more of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, the Company's actual results may vary materially from those described, expected, estimated or planned in this Prospectus.

Subject to the requirements of the OSCOs, the Company must submit a supplementary prospectus if, at any time after this Prospectus has been approved by the CMA and before its shares are registered with the Exchange, the Company becomes aware that: (a) there has been a significant change in any material information contained in this Prospectus or any document required by the OSCOs; or (b) the occurrence of additional significant matters, which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Subscribers should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

CERTAIN TERMS

Certain figures and percentages included in this Prospectus have been rounded off to the nearest whole number. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CORPORATE DIRECTORY

Board of Directors:

Table (1.1): The Company's Board of Directors

Name	Position	Entity Represented by the Member	Nationality	Status	Direct Ownership (%)		Indirect Ownership (%)**		Date of Appointment*
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Eng. Khalid Mohammed Abdulrahman Al-Salem	Chairman	The Royal Commission for Jubail and Yanbu	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Ahmed Mohammed Ahmed Al-Jabr	Vice Chairman	Saudi Basic Industries Corporation (SABIC)	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Badr Abdullah Saad Al-Ghariry	Director	Public Investment Fund	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Musaad Ahmed Abdullah Al-Sayouhi	Director	Saudi Aramco Power Company	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Suliman Khalid Abdulrahman Al-Mazroua	Director	Does not represent any specific party	Saudi	Non-executive/ Independent	-	-	-	-	21 April 2022G
Amr Abdulaziz Abdullah Al-Jallal	Director	Does not represent any specific party	Saudi	Non-executive/ Independent	-	-	-	-	21 April 2022G
Soliman Abdulaziz Soliman Al-Hosain	Director	Does not represent any specific party	Saudi	Non-executive/ Non-independent[1]	-	-	-	-	21 April 2022G

* The dates listed in this table are the dates of appointment to the current seats on the Board of Directors. The respective biographies of the Directors describe the dates of their original appointment, whether to the Board of Directors or any other previous position in the Company. (For further details, please refer to Section 5 ("**The Company's Organizational Structure and Governance**") of this Prospectus.)

** For the purposes of this table, indirect ownership includes shares owned indirectly by Directors through companies or persons controlled by the relevant Director.

[1] It should be noted that the Director Soliman Abdulaziz Soliman Al-Hosain is a non-independent member as at the date of this Prospectus because he is a board member of SABIC Agri-Nutrients Company, which is an affiliate of the Issuer, as per the provisions of Article 20(c)(5) of the Corporate Governance Regulations ("**CGRs**"). This is due to the indirect ownership by Saudi Arabian Oil Company (Saudi Aramco) of more than 30% in both SABIC Agri-Nutrients Company and Marafiq. It should also be noted that Aramco's total ownership in Marafiq's capital will fall below 30% after the Offering. Because SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will result in the provisions of Article 20(c)(5) of the CGRs to no longer apply. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain shall be changed to "independent" as of the date of the Listing, and the Company will be in compliance with the requirements of Paragraph (3) of Article 16 of the CGRs after the Offering.

COMPANY'S ADDRESS AND REPRESENTATIVES

Company Address	
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	
Jubail - Jubail Industrial City, First Industrial Support Area, Street 3522, Road No. 100,	
Unit No. 1, Jubail 8894-35717	
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Fax: +966 (13) 341 6129	
Website: www.marafiq.com.sa	
Email: Ceo@marafiq.com.sa	

Company Representatives	
Mohammed Berki Sattam Al-Zuabi	**Eng. Khalid Mohammed Abdulrahman Al-Salem**
CEO	Chairman
Company's Main Building, 4018, Road 114, P.O. Box 11133	Head Office of The Royal Commission for Jubail and Yanbu
Jubail Industrial City 31961	Al Hada District, P.O. Box 5946
Kingdom of Saudi Arabia	Riyadh 11432, Kingdom of Saudi Arabia
Work Tel: 0133409555	Tel: 0112649510
Fax: 0133416129	Fax: 0133416129
Email: zuabimb@marafiq.com.sa	Email: SALEMK@marafiq.com.sa

Board Secretary
Mohammed Abdulhamid Ibrahim Al-Mulhim
Board Secretary
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Share Registrar
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Website: www.hsbcsaudi.com

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Lead Manager

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Email: marafiqipo@hsbcsa.com

Legal Advisor to the Company

Fahad Ahmed Abuhimed, Majid Abdullatif AlSheikh and Mansoor Abdulaziz AlHagbani Law Firm

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Legal Advisor for the Offering outside the Kingdom
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Legal Advisor to the Financial Advisors, Bookrunners, Underwriters and Retail Subscription and Settlement Coordinator
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Note: As at the date of this Prospectus, all of the above-mentioned Advisors and Auditor have given and have not withdrawn their written consent to the publication of and reference to their names, addresses, logos and the statements attributed to each in the context in which they appear in this Prospectus, and do not themselves, their employees (from the engagement team serving the Company), or any of their relatives have any shareholding or interest of any kind in the Company or any of its Subsidiaries as at the date of this Prospectus which would impair their independence.

Receiving Agents
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OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "**Important Notice**" Section on page (i) and Section 2 ("**Risk Factors**") prior to making any investment decision in relation to the Offer Shares.

The Company	The Power and Water Utility Company for Jubail and Yanbu (Marafiq) (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi closed joint stock company registered under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05/09/2001G). The Company was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G), and its head office is in Jubail - Jubail Industrial City, First Industrial Support Area, Street No. 3522, Road No. 100, Unit No. 1, Jubail 35717-8894, P.O. Box 11133, Postal Code no. 31961, Kingdom of Saudi Arabia. The Company was established on 17/06/1422H (corresponding to 05/09/2001G) as a Saudi closed joint stock company with a share capital of two billion, five hundred million Saudi Riyals (SAR 2,500,000,000), of which six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) were paid upon incorporation (equivalent to 25% of the issued share capital), divided into fifty million (50,000,000) shares, all of which are of equal value, with a nominal value of fifty Saudi Riyals (SAR 50) per share. In January 2003G, an amount of six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) was paid. On 19 October 2008G, the remainder of the cash share value of one billion, two hundred and fifty million Saudi Riyals (SAR 1,250,000,000) was paid, completing the payment of the entire share capital. On 19/05/1434H (corresponding to 31 March 2013G), the Extraordinary General Assembly of the Company decided to reduce the nominal value of the shares to ten Saudi Riyals (SAR 10) and consequently the number of shares was adjusted to two hundred and fifty million (250,000,000) ordinary shares, all of which are of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary cash shares. (For further details, please refer to Section 4.1 ("**Overview of the Company and its Business Activities**").
Company's Activity	The Company's principal activities (according to its Bylaws) are water supply, sewage activities, waste management and treatment, electricity, gas, steam and air conditioning supply, process industry and construction. Furthermore, the Company may perform any necessary or supplementary work for these purposes, such as the importation of materials, etc. The Company may also provide such services in all regions of the Kingdom, with an obligation to provide such services to all beneficiaries in the industrial cities of Jubail and Yanbu. For further details, please refer to Section 4 ("**The Company**") of this Prospectus.
Selling Shareholders/ Substantial Share-holders	The following table sets out the names and shareholding of the Company's Substantial Shareholders according to their direct and indirect ownership before and after the Offering: (see table below)

Sharehold-ers	Pre-Offering				Post-Offering			
	Number of Shares	Nominal Value (SAR)	Direct Owner-ship (%)	Indirect Owner-ship (%)*	Number of Shares	Nominal Value (SAR)	Direct Owner-ship (%)	Indirect Owner-ship (%)*
Royal Commission for Jubail and Yanbu (RCJY)	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Public Investment Fund	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Aramco Power Company	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Basic Industries Corporation (SABIC)	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Total	**248,094,500**	**2,480,945,000**	**99.24%**	**-**	**175,000,000**	**1,750,000,000**	**70%**	**-**

* For the purposes of this table, indirect ownership includes shares owned indirectly by Shareholders through companies or persons controlled by the relevant Shareholder.

Source: The Company

Company's share capital before and after the Offering	Two billion and five hundred million Saudi Riyals (SAR 2,500,000,000), fully paid.

Total number of the Company's Shares before and after the Offering	Two hundred and fifty million (250,000,000) fully paid ordinary shares.
Nominal value per Share	Ten Saudi Riyals (SAR 10) per share.
Subscription	A public offering of seventy-three million, ninety-four thousand, five hundred (73,094,500) ordinary shares of the Company with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The Offer Price will be SAR [•] per share. In total, the Offer Shares will represent 29.24% of the Company's share capital.
Number of Offer Shares	73,094,500 fully paid ordinary shares.
Percentage of Offer Shares to the total number of the Company's Shares	The Offer Shares represent 29.24% of the Company's shares.
Offer Price	SAR [•] per share.
Total value of the Offering	SAR [•].
Use of Offering Proceeds	The Net Proceeds of SAR [•] will be distributed to the Selling Shareholders according to their respective ownership percentage in the Offer Shares after deducting the Offering Expenses, which are estimated at approximately SAR [•] (excluding VAT). The Company will not receive any part of the Offering proceeds (for more information on the use of the Offering proceeds, please refer to Section 8 ("**Use of Offering Proceeds**")).
Number of Offer Shares to be underwritten	73,094,500 ordinary shares.
Total underwritten Offering amount	SAR [•].
Targeted Investors	(A) Participating Parties: This tranche comprises a number of institutions and companies, including investment funds, qualified foreign investors and GCC investors with legal personality (for further details, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus); and (B) Individual Subscribers: This tranche comprises Saudi natural persons including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
Total number of Offer Shares for each Targeted Investor category	
Number of Offer Shares for Participating Parties	Seventy-three million, ninety-four thousand and five hundred (73,094,500) shares representing 100% of the total number of Offer Shares. If there is sufficient demand by Individual Subscribers, and Participating Parties subscribe to all the Offer Shares allocated to them, the Retail Subscription and Settlement Coordinator shall have the right to reduce the number of Offer Shares allocated to Participating Parties to fifty one million, hundred and sixty six thousands, hundred and fifty (51,166,150) shares, representing 70% of the total number of Offer Shares.
Number of Offer Shares for Individual Subscribers	A maximum of twenty one million, nine hundred and twenty eight thousands, three hundred and fifty (21,928,350) ordinary shares, representing 30% of the total number of Offer Shares.
Subscription method for each Targeted Investor category	
Subscription method for Participating Parties	Participating Parties as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus may apply for subscription. The Bookrunner will provide Subscription Application Forms to institutional subscribers during the Book Building Period. After initial allocation, Participating Parties shall complete Subscription Application Forms, which will be made available to them by the Bookrunners in accordance with the instructions mentioned in Section 17 ("**Share Information and Subscription Terms and Conditions**").

Subscription method for Individual Subscribers	Subscription Application Forms will be available during the Offering Period from the Retail Subscription and Settlement Coordinator and Receiving Agents. Subscription Application Forms must be completed in accordance with the instructions mentioned in Section 17 ("**Share Information and Subscription Terms and Conditions**") of this Prospectus. Individual Subscribers who have participated in a previous public offering can also subscribe through the internet, telephone banking, automated teller machines ("**ATMs**") or any other electronic channels offered by the Receiving Agents to its clients or through the branches thereof that offer any or all such services to its customers, provided that (i) the Individual Subscriber has a bank account with a Receiving Agent that offers such services; and (ii) there have been no changes in the personal information of the Individual Subscriber since such person's subscription in a recent offering.
Minimum number of Offer Shares that can be subscribed for by each Targeted Investor category	
Minimum number of Offer Shares that can be subscribed for by Participating Parties	100,000 shares.
Minimum number of Offer Shares that can be subscribed for by Individual Subscribers	10 shares.
Minimum subscription amount for each Targeted Investor category	
Minimum subscription amount for Participating Parties	SAR [•].
Minimum subscription amount for Individual Subscribers	SAR [•].
Maximum number of Offer Shares that can be applied for by each Targeted Investor category	
Maximum number of Offer Shares that can be applied for by Participating Parties	12,499,999 shares.
Maximum number of Offer Shares that can be applied for by Individual Subscribers	250,000 shares.
Maximum subscription amount for each Targeted Investor Category	
Maximum subscription amount for Participating Parties	SAR [•].
Maximum subscription amount for Individual Subscribers	SAR [•].
Method of allocation and refund of excess subscription amount for each Targeted Investor category	
Allocation of Offer Shares to Participating Parties	The initial allocation of the Offer Shares will be made as the Financial Advisors deem appropriate in coordination with the Company, using the discretionary share allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares as deemed appropriate by the Company and the Financial Advisors. The number of Offer Shares to be initially allocated to the Participating Parties will be seventy-three million, ninety-four thousand and five hundred (73,094,500) shares, representing one hundred percent (100%) of the total number of Offer Shares, with the final allocation made after the end of the subscription period for Individual Subscribers. In the event that Individual Subscribers subscribe for the Offer Shares allocated thereto, the Financial Advisors shall have the right to reduce the number of Offer Shares allocated to Participating Parties to fifty one million, hundred and sixty six thousands, hundred and fifty (51,166,150) shares, representing ninety percent (70%) of the total Offer Shares after the completion of the Individual Subscribers subscription process.

Allocation of Offer Shares to Individual Subscribers	Allocation of the Offer Shares is expected to be completed no later than Wednesday dated 08/04/1444H (corresponding to 02/11/2022G). The minimum number of Offer Shares that can be allocated is ten (10) shares, and the maximum number is two hundred and fifty thousand (250,000) shares. The balance of the Offer Shares, if any, will be allocated pro rata based on the number of Offer Shares requested by each Individual Investor and the total number of the Offer Shares requested for subscription. In the event that the number of Individual Subscribers exceeds two million, hundred and ninety two thousands, eight hundred and thirty five (2,192,835) Subscribers, the Company will not guarantee the minimum allocation of ten (10) Offer Shares per Individual Subscriber. In such case, the allocation of Offer Shares to Individual Subscribers will be determined at the discretion of the Company and the Financial Advisors.
Refund of excess sub-scription monies	Excess subscription monies, if any, will be refunded to Subscribers without any charge or commission being withheld by the Retail Subscription and Settlement Coordinator or Receiving Agents. Announcement of the final allotment will be on Wednesday dated 08/04/1444H (corresponding to 02/11/2022G) and refund of excess subscription monies, if any, will be made no later than Sunday dated 12/04/1444H (corresponding to 06/11/2022G) (for further details, please refer to the Sub-section "**Allocation of Shares and Refund of Excess Subscription Monies**" of Section 17 ("**Share Information and Subscription Terms and Conditions**") of this Prospectus).
Offering Period	The Offering Period will commence on Wednesday dated 01/04/1444H (corresponding to 26/10/2022G) and will last for a period of Four (4) calendar days up to and including the closing day on Saturday dated 04/04/1444H (corresponding to 29/10/2022G).
Entitlement to divi-dends	The Offer Shares will be entitled to their portion of any dividends declared by the Company as at the date of this Prospectus and for subsequent financial years (for further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus).
Voting Rights	The Company has one class of ordinary shares, none of which carry any preferential voting rights. Each share entitles its holder to one vote and each shareholder has the right to attend and vote at the meetings of the General Assembly (please refer to Sub-section 12.13 ("**Summary of Bylaws**") and Sub-section 12.14 ("**Description of Shares**") of Section 12 ("**Legal Information**") of this Prospectus).
Lock-up Period/ Restrictions on the Shares	The period during which the Substantial Shareholders are subject to a lock-up period of six (6) months starting from the date of commencement of trading of the Offer Shares on the Exchange. During such period, the Substantial Shareholders may not dispose of any of their shares. After the end of the Lock-up Period, the Substantial Shareholders may dispose of their shares without prior approval from the CMA.
Listing and Trading of the Shares	Prior to the public offering, the Company's shares have not been listed in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offering of the shares and to the Saudi Exchange (Tadawul) for the listing of the shares, and all official approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange after the final allocation of the shares (for further details, please refer to the "**Key Dates and Subscription Procedures**" Section on page (xv) of this Prospectus).
Risk Factors	There are certain risks related to an investment in the Offer Shares. These risks can be categorized as follows: 1- Risks related to the Group's activity and operations. 2- Risks related to the market, sector and regulatory environment. 3- Risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") of this Prospectus and should be considered carefully prior to making an investment decision in relation to the Offer Shares.
Offering expenses	The Offering expenses are estimated at approximately [•] Saudi Riyals, including the fees of the Financial Advisors, Retail Subscription and Settlement Coordinator, Underwriter, Receiving Agents, Legal Advisor, and Financial Due Diligence Advisor, in addition to marketing, arrangement, printing, distribution and other expenses related to the Offering. These expenses will be fully borne by the Selling Shareholders and paid from the Offering proceeds.

Underwriters	**HSBC Saudi Arabia** Olaya Road - Al Murooj District P.O. Box 7267 Kingdom of Saudi Arabia Tel: +966 92000 5920 Fax: +966 (11) 299 2385 Website:www.hsbcsaudi.com Email: saudiarabia@hsbcsa.com
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Note: The "**Important Notice**" Section on page (i) and Section 2 ("**Risk Factors**") should be read thoroughly prior to making a decision to invest in the Company's shares offered in this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table (1.2): Expected Offering Timetable

Expected Offering Timetable	
Event	**Dates**
Bidding and Book Building Period for Participating Parties	A period of six (6) calendar days starting from Sunday dated 13/03/1444H (corresponding to 09/10/2022G) until the end of Friday dated 18/03/1444H (corresponding to 14/10/2022G)
Subscription period for Individual Subscribers	A period of four (4) calendar days starting from Wednesday dated 01/04/1444H (corresponding to 26/10/2022G) until the end of Saturday dated 04/04/1444H (corresponding to 29/10/2022G)
Deadline for submission of Subscription Application Forms based on the number of Offer Shares provisionally allocated to Participating Parties	Tuesday dated 29/03/1444H (corresponding to 25/10/2022G)
Deadline for payment of the subscription monies for Participating Parties based on the number of provisionally allocated Offer Shares	Tuesday dated 29/03/1444H (corresponding to 25/10/2022G)
Deadline for submission of Subscription Application Forms and payment of subscription monies (for Individual Subscribers)	Saturday dated 04/04/1444H (corresponding to 29/10/2022G)
Announcement of final allotment of Offer Shares	Wednesday dated 08/04/1444H (corresponding to 02/11/2022G)
Refund of excess subscription monies (if any)	Sunday dated 12/04/1444H (corresponding to 06/11/2022G)
Expected date of commencement of trading on the Exchange	Trading of the Company's shares on the Exchange is expected to commence after fulfillment of all relevant statutory requirements. Trading will be announced in local newspapers and on the Saudi Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on Tadawul's website (www.saudiexchange.sa), the Financial Advisors' websites (www.hsbcsaudi.com) and (www.riyadcapital.com) and the Company's website (www.marafiq.com.sa).

How to Apply for the Offering

Subscription is restricted to two tranches of investors:

Tranche (A): Participating Parties: This tranche comprises a number of institutions and companies, including investment funds, qualified foreign investors and GCC investors with legal personality who are entitled to participate in the book building process as specified under the Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) issued by the CMA (for further details, please refer to Section 1 ("**Definitions and Abbreviations**")). Participating Parties can obtain Application Forms from the Bookrunners during the book building period and Subscription Application Forms from the Bookrunners after the provisional allocation. The Bookrunners shall, after the approval of the CMA is obtained, offer the Offer Shares to Participating Parties during the book building period only. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Subscribers, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunners, which represents a legally binding agreement between the Selling Shareholders and the Participating Party submitting the application.

Tranche (B): Individual Subscribers: This tranche comprises Saudi natural persons including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. Subscription Application Forms will be available during the Offering Period on the websites of the Receiving Agents offering this service. Subscribers can also subscribe through the internet, telephone banking or ATMs of any of the Receiving Agents that provide these services to its customers, provided that the following requirements are satisfied:

1- The Subscriber has a bank account at the Receiving Agent that offers such service.
2- There have been no changes in the personal information or data of the Subscriber (the removal or addition of any family member) since the Subscriber last participated in a recent offering.

Subscription Application Forms must be filled out in accordance with the instructions contained in Section 17 ("**Share Information and Subscription Terms and Conditions**"). Each applicant must accept all the relevant items in the Subscription Application Form. The Company reserves the right to decline any Subscription Application, in part or in whole, in the event that any of the subscription terms and conditions are not met. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. The Subscription Application cannot be amended or withdrawn once submitted. Furthermore, the Subscription Application shall, upon submission, be considered a legally binding agreement between the Subscriber and the Company (please refer to Section 17 ("**Share Information and Subscription Terms and Conditions**") of this Prospectus).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus and does not contain all the information that may be important to investors. Accordingly, this summary must be treated as a brief introduction to the key information in this Prospectus. Persons who wish to subscribe for the Offer Shares are advised to read the entire Prospectus so that any decision to invest in the Offer Shares is based on the careful consideration of this Prospectus as a whole, in particular the financial statements and related notes as well as the information set forth under Section 2 ("**Risk Factors**") and the "**Important Notice**" Section. Definitions and abbreviations herein shall have the meanings ascribed thereto in Section 1 ("**Definitions and Abbreviations**") and elsewhere in this Prospectus.

THE COMPANY

Overview

The Power and Water Utility Company for Jubail and Yanbu (Marafiq) (the "**Company**") is a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05 September 2001G). The Company was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18 October 2000G). The registered address of the Company is Jubail Industrial City, First Industrial Support Area, Street 3522, Road 100, Unit No. 1, Jubail 35717-8894, P.O. Box 11133, Postal Code 31961, Kingdom of Saudi Arabia.

At the time of its incorporation, the Company's authorized and issued share capital amounted to SAR 2,500 million divided into 50 million ordinary shares valued at SAR 50 per share, of which six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) were paid upon incorporation (equivalent to 25% of the issued share capital), divided into fifty million (50,000,000) shares, all of which are of equal value, with a nominal value of fifty Saudi Riyals (SAR 50) per share. In January 2003G, an amount of six hundred and twenty-five million Saudi Riyals (SAR 625,000,000) was paid. On 19 October 2008G, the remainder of the cash share value of one billion, two hundred and fifty million Saudi Riyals (SAR 1,250,000,000) was paid, completing the payment of the entire share capital. On 19/05/1434H (corresponding to 31 March 2013G), the Extraordinary General Assembly of the Company decided to reduce the nominal value of the shares to ten Saudi Riyals (SAR 10) and consequently the number of shares was adjusted to two hundred and fifty million (250,000,000) ordinary shares, all of which are of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share. Please refer to Section 4.3.3 ("**History and Evolution**") of this Prospectus.

Principal Activities of the Company

The Company's principal activities (according to its Bylaws) are water supply, sewage activities, waste management and treatment, electricity, gas, steam and air conditioning supply, process industry and construction. Furthermore, the Company may perform any necessary or supplementary work for these purposes, including the importation of materials, etc. The Company may also provide such services in all regions of the Kingdom, with an obligation to provide such services to all beneficiaries in the industrial cities of Jubail and Yanbu.

Vision, Mission, Values and Strategy

Vision

To be the provider of choice for utility services in the major industrial cities of the Kingdom of Saudi Arabia.

Mission

To meet the needs of customers by providing utility services permanently and reliably in line with environmental regulations and to create the highest value for shareholders.

Values

The principal values of the Company are:

a- Caring for others.
b- Responsibility and Teamwork.
c- Transparency.
d- Social Responsibility.
e- Focus on Customer Service.

Strategy

In developing its long-term business strategy, the Company follows industry best practices. Long-term strategy, targets and objectives are reviewed on an annual basis to follow up on their implementation and reassess the strategic trajectory in line with the industry's current developments and evolving shareholder objectives. The Group's business strategy is in line with the government's policy of developing the Kingdom's water and electricity sectors. The Company's management believes that the following key strategic pillars will enhance its future revenue, profitability and cash flows.

The following four categories summarize the Company's strategic objectives: health, safety and environment; reliability; sustainability and financial stability.

Competitive Advantages of the Company

The Group operates as an integrated utility delivery center, providing reliable and sustainable services in strategic coastal industrial cities throughout the Kingdom. In addition, the Group has a natural monopoly in respect of certain water services in the industrial city of Jubail, which is located in the east on the Arabian Gulf coast of the Kingdom. In addition, the Group has a natural monopoly in respect of electricity and certain water services in the industrial city of Yanbu, which is located in the west on the Red Sea coast of the Kingdom. The natural monopoly in both cities is linked to the Group's customers for each of the services provided being connected and supplied through networks leased by the Group for its right to operate and maintain. No access rights have been granted by the Royal Commission or the Group to any third party at the date of this Prospectus. As a result, the Group does not compete with competitor suppliers in these industrial territories. For a competitor to enter the same geographic market, not only would access rights need to be granted, but the competitor would also need to make very large investments to replicate the Group's infrastructure. As a result, the Group benefits from high barriers to entry into its two principal markets.

In addition, the Company has also been selected by the Royal Commission as the sole power and water service provider for RIC and JCPDI, two industrial cities that are currently under development. Similar to the situation in Jubail and Yanbu, there are no plans as at the date of the Prospectus to grant third-party access rights to the RIC and JCPDI markets. As a result, the Group will also benefit from high barriers to entry in these newly developed cities.

All four cities in which the Group operates are strategic to the Saudi economy. In particular, the industrial cities of Jubail and Yanbu are key areas of industrial activities in the Kingdom as a large number of petrochemical facilities, refineries, and other supplementary industrial units including several large-scale joint ventures such as TotalEnergy, China Sinopec, Dow Chemical, Mitsubishi, Shell, Chevron and other multinational entities are located in Jubail and Yanbu. As a result, both cities are key contributors to the GDP diversification and employment creation drive of the Saudi economy.

The Royal Commission has enticed an investment of about SAR 1.2 trillion into the industrial cities with industrial investments reaching SAR 934 billion and urban spending of SAR 37 billion (Source: Website of the Royal Commission, April 2021G). There are more than 600 plants to produce 92 products.

Jubail is a major center for the petrochemicals industry, Jubail includes major industrial facilities such as the SADARA Chemicals Complex, all of which are customers for the Group's water services. Yanbu is a major port city on the Red Sea coast of the Kingdom. Yanbu is a major petroleum shipping terminal, with the capacity to export over 3 million barrels of crude oil daily as at 2022G. Yanbu is also home to three oil refineries, a plastics facility, and several petrochemical plants, all of which are customers for the Group's electricity and water services.

Strong and sustainable growth prospects resulting from growth in the utilities sector in Royal Commission Industrial Cities as well as across the Kingdom

The Group supplies a variety of water services to a diverse range of consumers strengthening the resilience of the business and also sells electricity and sales gas in Yanbu.

In addition to the sustainable growth across its current water, electricity, and sales gas operations in Jubail and Yanbu, as well as its initial operations in RIC and JCPDI, the Group has a strong position in the Kingdom in relation to the growing utilities sector generally. The Group has access to a range of growth opportunities, both in its Royal Commission-based service territories (Jubail, Yanbu, RIC and JCPDI), as well as seeking to be a provider of energy, water and wastewater treatment utility services across the Kingdom, including projects procured under competitive bidding for other customers (e.g., the Jeddah II ISTP project, where a consortium, including the Company, Veolia Middle East, and Alamwal Al-Khaleejiah Al-Thaniya, was selected as preferred bidder). The consortium, with the Company as a lead developer, was awarded the Jeddah II ISTP project and has signed a Sewage Treatment Agreement (STA) with Saudi Water Partnership Company (SWPC) (formerly WEC).

Recently, the Group has evolved as a strong developer in the Saudi market, partnering with leading international water and power players such as ENGIE, Alfanar, Marubeni, Saur International, and Veolia. The Group has also established excellent relationships with local and international financing institutions that help provide competitive financing for development projects targeted by the Group. The Company has also been qualified as the lead developer and/or technical member for independent water and sewage wastewater projects by SWPC and water and cogeneration projects by Saudi Aramco.

The Group has a strong and creditworthy industrial customer base

The Group's customer base comprises mainly industrial, governmental, commercial, and residential entities. Typically, industrial, governmental, and commercial customers have steady consumption levels, higher operating rates, and optimal tariffs. They are generally more prompt in their payments than retail and household customers. The predominant corporate client base has generally allowed the Group to be flexible in adjusting tariffs to a certain degree and therefore allowed the Group to maintain profitability. Power and water expenses currently represent a relatively low proportion of the overall operating cost for most industrial clients, which effectively reduces the resistance to tariff increases. In the financial year 2021G, approximately 83% of the Group's revenue were derived from the Royal Commission, Saudi Aramco, SABIC subsidiaries, and the associated joint ventures entered into by them. All agreements with the Royal Commission, Saudi Aramco, and SABIC's subsidiaries to provide services are governed by utility user agreements as it is the case for other major customers.

The Group has a well-invested asset base with high throughput efficiency through the existence of in-house competencies and expertise in the field of utility asset management. The Group also has significant engineering expertise in the field of project management

The Group invests in its operations and assets on an ongoing basis, which has enabled it to obtain a strong and reliable asset base in order to serve its customers, which in turn will enable the Group to achieve further growth for its future operations.

Moreover, the Group has significant engineering and project management capabilities, as the Group has a sophisticated engineering team consisting of engineers, subject matter experts, and senior management personnel who are involved in the effective execution of various projects of the Group and the management of its technical assets. The Group also hires external consultants to provide advice when required.

The cornerstone of the Group's success is the reliability of its operations, which enables it to provide integrated multi-utility "plug-n-play" services to high-end sophisticated industries. Under COM No. 57, the Company is mandated to provide efficient, reliable, and cost-effective services to all current and future users in the industrial cities of Jubail and Yanbu. The oversight of the regulators ensures that the Company sustains its operations in the long term to protect the multi-billion-dollar investments that have been injected in the industrial cities of Jubail and Yanbu.

The Group has an experienced management team and supportive, well-known industry leaders as key shareholders

The Company is led by a highly experienced senior management team, which has guided the growth and development of the Company to its current position as a leading GCC based multi-utility, providing essential utilities services to customers in the key industrial cities of Jubail and Yanbu.

For summaries of CVs of Senior Executives, please refer to Section 5.3.2 ("**Summary of the Biographies of the Company's Senior Executives**") of this Prospectus.

The four Founding Shareholders of the Company are the PIF, the Royal Commission, Saudi Aramco (which transferred its ownership to Saudi Aramco Power Company which is wholly owned by it), and SABIC. All Founding Shareholders are essential to the Kingdom's economy with a strong and wide range of expertise and an international reputation for excellence. In addition, SABIC, Saudi Aramco, and the Royal Commission are amongst the main customers of and suppliers to the Group (directly or through its subsidiaries) and play an integral part in the Group's continued operations and growth. The Company was founded as a result of a privatization drive of the utilities in Jubail and Yanbu with the Royal Commission transferring these assets to the Company in 2003G. As a result, the Company has a very close relationship in particular to the Royal Commission as its direct predecessor in operating the Company's key assets.

The Founding Shareholders have long-standing and detailed experience in managing the construction of large and complex projects. The Group, in addition to its own internal capabilities, is able to draw on its shareholders' experience and expertise.

The Group has a track record of robust financial development and a stable cash-flow profile that is driven by a high-visibility, regulated environment with a set tariff

As the sole supplier in its service territories of electricity and water services, which are essential services for the Group's customers, the tariffs charged by the Group are subject to economic regulation. In particular, COM No. 57 provides that tariffs for the services provided by the Group shall be based on the commercial cost of the services provided to all industrial users. COM No. 57 continues to provide that the concerned parties, including the Founding Shareholders, must ensure that the Group is operated and provides its services on commercially acceptable standards.

The Group has a stable revenue stream because of a predictable demand for its services. This stability is supported by contractual arrangements with the Group's industrial clients, which typically sign long-term (30-year) supply agreements with the Group with provisions for tariff increases, if and when approved by the regulator; this has allowed the Group to reinforce a stable demand for its utility services. This high degree of stability, combined with regulated end-user tariffs, reduces revenue and earnings volatility. The Group has significant operating cash flows from its diversified operations, which provide funding for the Group's investment and growth plans, as well as provide the opportunity to reward shareholders through dividend distributions while maintaining a robust capital structure.

SUMMARY OF MARKET INFORMATION

The Power and Water Utility Company for Jubail and Yanbu (Marafiq) provides energy, water and gas services in the Kingdom of Saudi Arabia. Since 2003G, the Company has been operating in the industrial cities of Yanbu, Jubail, RIC and JCPDI, serving the petroleum, chemical, heavy and process industries. These cities contain the facilities and infrastructure needed to establish primary, secondary and support industries. This will lead to increased demand for the utility services offered by the Company. The Company serves residential, commercial, industrial and governmental customers. The majority of services are provided to industrial customers.

The main drivers of demand for Marafiq services will be closely related to the economic conditions in the Kingdom. Many of the major industrial companies in the Kingdom are customers of Marafiq. Thus, the "**Summary of Market Information**" Section describes the economic conditions, industrial cities, regulations, supply and demand, and how these factors relate to the Company.

- The Company operates in four industrial cities in the Kingdom of Saudi Arabia. The Kingdom is the largest economy in the GCC region and an influential member of the Organization of Petroleum Exporting Countries (OPEC).
- Marafiq is the only energy and water service provider in Yanbu; the only water service provider in Jubail; a water service provider in RIC; and an energy and water service provider in Jazan.
- Government agencies regulate the various aspects of the above-mentioned industrial cities and their tariff structures. Currently, economy-based tariff regulations are being developed. The Company is reorganizing its cost accounting to ensure costs are separated and allocated based on operating sectors.
- The Kingdom is characterized by a high per capita consumption of energy and water. The Company produces 3.2% of the total power generation in the Kingdom and 7.2% of the desalinated water.

Because of the Company's customer base, which consists primarily of industrial customers with stable consumption and swift payment, future demand can be predicted with a high degree of accuracy.

THE ECONOMY OF SAUDI ARABIA

The economy of the Kingdom of Saudi Arabia is the largest in the GCC region, with a GDP of 3,126 billion Saudi Riyals (in 2021G). The COVID-19 pandemic caused a 12% downturn in GDP growth in 2020G. However, the Kingdom's economy recovered and experienced 18% GDP growth in 2021G. GDP per capita was approximately 73,000 Saudi Riyals (in 2021G) and is expected to rise in the coming years.

The Kingdom's economic performance is closely related to hydrocarbon prices as the oil sector accounts for 39% of the GDP for 2021G. The Kingdom has the world's second largest oil reserves (in 2022G) and was the world's second largest oil producer (in 2020G). As a result, it is a powerful member of OPEC. Non-oil sector diversification and growth are encouraged by government initiatives such as Saudi Vision 2030. The non-oil private sector recorded an average growth of 1.1% between 2015G and 2021G, while the non-oil public sector recorded an average growth of 1.4% during the same period.

In 2021G, the unemployment rate was 6.9%. Government reserves amounted to 1.71 trillion Saudi Riyals (in 2020G). The Kingdom has been running a deficit since 2014G. During the COVID-19 pandemic, the deficit increased to 11.1% of the GDP. The Saudi Riyal is pegged to the US dollar at a fixed rate of 3.75 Saudi Riyals per US dollar. Between 2017G and 2020G, the annual inflation rate of consumer prices averaged 0.75%, and is expected to reach 2.2% and 2% in 2022G and 2023G, respectively.

With a population of 35 million people, the Kingdom accounts for 60% of the total population of the GCC countries (in 2020G). Both personal income and capital gains on shares traded in Tadawul are tax-free. The Value Added Tax (VAT) is 15%. It is worth noting that the Public Investment Fund is the world's sixth largest sovereign fund, with assets totalling 2.1 trillion Saudi Riyals.

Industrial Cities

The Company operates mainly in the industrial cities of Jubail and Yanbu but has recently expanded to Jazan Industrial City for Primary and Downstream Industries (JCPDI) and Ras al Khair Industrial City (RIC).

Jubail's refining capacity of over 0.7 million BBL/d makes it the second largest refinery hub in the country, after Yanbu industrial city. Over half of the Company's customers in Jubail operate in the chemicals sector and 18% specialise in the manufacturing industry.

At the end of 2017G, there were 129 industries in operation in Yanbu industrial city, compared with 104 in 2012G. On average, the number of industries in Yanbu has grown at a rate of 4% in that time. Marafiq power generation stands at 2,043 MW capacity; desalination production capacity is 6,176 m³/h; and the seawater cooling network capacity is 700,000 m³/h in Yanbu. About 36% of the Companies customers in Yanbu are in the non-metallic manufacturing sector; 11% operate in oil and gas refining and processing; and 15% are in the chemical industry. Over a fifth of the Companies customers in Yanbu are in miscellaneous services sectors (e.g., accommodation, human health, etc).

The Company provides water and electricity services in JCPDI. The RCJY plan for JCPDI is to focus on light, medium and heavy industries, refinery and power station, desalinated water production plant & sewage treatment plant, trade and oil port. It is further enlarging to the expansion of steel industry, Titanium, petrochemical, Silicon industry, food industry, packaging, home appliance and electrometrical equipment assembly.

.. In 2022G, JCPDI is due average demand of 36,590 m³/d across its seawater cooling, wastewater, and potable water services as well as 57.5 MW average demand in electricity. A small number of companies have been established in JCPDI to date in the metal manufacturing industry; Advanced Metal Industries Cluster (ASIC) and Solb Steel.

The Company also operates in RIC, a relatively new industrial city in the KSA. RIC is a significant global and world-class "metals and minerals city" with integrated industrial complexes, that leverage the key mineral resources of the Kingdom of Saudi Arabia. The industrial city is aimed to use the core minerals complex as an incubator to maximize value creation through vertically and geographically integrated downstream industries. RIC already has Ma'aden Phosphate Company and Ma'aden Aluminum Company industrial complexes. In proximity of RIC, King Salman Global Maritime Industries Complex is in construction stage, which will be the world's biggest shipyard once completed. It is covering about 5 square kilometers area with several dry docks and as a minimum 15 separate piers. The complex will be comprised of four major areas of operation including shipbuilding, ship repair, oil rig construction, and oil rig support.

In 2022G, RIC is due average demand of 24,000 m³/d in seawater cooling, 4,000 m³/d in potable water, and 1,000 m³/d in industrial wastewater.

Electricity and Water Sector Regulation

Vertically integrated facilities support retail, supply, transmission, distribution, and generation services in the electricity and water sectors. There are many players in this field. However, the Company operates under a license in designated and allotted service areas, as is common in regulated industries. The Company has a duty to serve customers in accordance with regulated tariffs and quality services, but it is also shielded from competition. The Company has a license to produce 2,032 MW of electricity and 683,000 cubic meters of desalinated water per day.

The Water and Electricity Regulatory Authority ("**WERA**") is responsible for the regulation of power generation, transmission, distribution, retail supply and co-production of water. The Ministry of Environment, Water and Agriculture regulates single-purpose water production, the distribution of potable water, wastewater and irrigation. The Ministry of Industry and Mineral Resources ("**MIMR**") and the Royal Commission Board of Directors regulate industrial wastewater, process water distribution and industrial seawater cooling. The Ministry of Energy ("**MOE**") regulates the distribution of sales gas.

The water and energy regulated tariffs are being reformed to reflect the full economic costs.

The water tariff is expected to follow a revenue requirement represented by the sum of permitted operating expenses, permitted consumption, revenue correction, incentive payment and the average cost of capital multiplied by the regulated asset base plus the working capital.

The electricity tariff will follow a revenue requirement represented by the sum of permitted operating expenses, permitted consumption, revenue correction, permitted disposal costs, routing costs and return on investment.

The sewage wastewater tariff is expected to depend on the consumption of potable water, so it will be calculated pro rata multiplied by the quantity of potable water consumed.

The MOE sets the sales gas distribution tariff based on the national sales pricing policy for hydrocarbons, as well as the cost and capital gains in gas distribution and retail operations.

Saudi Arabia's Electricity and Water Demand

The Kingdom is characterized by high per capita water and electricity consumption. The per capita energy consumption in 2020G was 3,931 kWh. In 2018G, the daily per capita water consumption was 278 liters. In 2020G, total electricity sales amounted to 289,333 GWh. In 2018G, total water consumption amounted to 25,992 cubic meters. The relatively high per capita water requirements in the Kingdom are attributed to social customs, climatic considerations and high network (transmission and distribution) losses, among other factors.

Residential customers consume the most electricity, followed by industrial customers (in 2020G). In 2020G, the largest source of electricity generation was steam and "**others,**" while desalination was the largest source of water. In 2020G, Marafiq and its subsidiaries (30% from Jubail Water and Power Company ("**JWAP**"), the Company's subsidiary) were responsible for 3.2% of the Kingdom's total electricity generation capacity (licensed MW) and 7.2% of the Kingdom's desalination capacity.

Marafiq currently has the exclusive license to provide energy and water services in the industrial cities of Yanbu, as well as water services in Jubail. Therefore, it faces no real competition in the regulated utility business lines. However, competition for tenders for unregulated activities and contracts in areas outside of the Royal Commission cities is expected to be strong.

Future Demand

Because the majority of its customers are industrial entities and companies with consistent consumption levels, high operating rates and swift payment, demand for Marafiq is generally less volatile and more predictable than demand for standard utility companies.

- Annual potable water sales are expected to grow by an average of 2.4% in Jubail and 3.8% in Yanbu between 2022G and 2026G.
- Treated water sales are expected to grow by an annual average of 3.4% in Yanbu between 2022G and 2026G.
- Annual sewage wastewater sales are expected to grow by an annual average of 4.3% in Jubail and 4.3% in Yanbu between 2022G and 2026G.
- Industrial wastewater sales are expected to grow by an annual average of 0.8% in Jubail and 3.8% in Yanbu between 2022G and 2026G.
- Irrigation water sales are expected to grow by an annual average of 2.1% in Jubail and 2.0% in Yanbu between 2022G and 2026G.
- Electricity sales are expected to grow by an annual average of 6.5% in Yanbu between 2022G and 2026G, representing a 26% increase to 2026G.
- Seawater cooling sales are expected to grow by an annual average of 0.7% in Jubail and 4.2% in Yanbu between 2022G and 2026G.
- Because the forecast is based on a long-term contract, industrial water sales for Sadara SWRO Plant in Jubail are expected to remain stable until 2026G.
- Demand for sales gas distribution is expected to grow by an annual average of 2.6% between 2022G and 2026G, representing a 10% increase in total quantity (one million Btus).
- Water service business lines in RIC and JCPDI and energy service business lines in JCPDI are expected to record very high growth rates from 2022G to 2026G, albeit from smaller bases.

Summary of Financial Information

The select financial information set out below should be read in conjunction with the audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, the preliminary audited financial statements for the three-month period ended 31 March 2022G, and the accompanying notes thereto prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and the information contained in Section 6 ("**Management's Discussion and Analysis of Financial Condition and Results of Operations**"). The consolidated audited financial statements and the accompanying notes thereto are included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus.

The financial information for the financial year ended 31 December 2019G was extracted from comparative financial information presented in the Group's financial statements for the financial year ended 31 December 2020G. The financial information for the financial year ended 31 December 2020G was derived from the comparative financial information presented in the Group's financial statements for the financial year ended 31 December 2021G and the period ended 31 March 2022G.

SAR'000s	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Financial Year 2021G (Audited)	Three-Month Period Ended 31 March 2022G (Audited)
Profit and loss data/consolidated income statement				
Revenues	6,107,841	6,091,564	6,192,287	1,462,025
Cost of revenue	(5,588,179)	(5,463,295)	(5,287,609)	(1,240,546)
Gross profit	**519,662**	**628,269**	**904,678**	**221,479**
Administrative expenses	(236,467)	(146,799)	(144,996)	(34,094)
Refund/(expense) of depreciation of trade receivables	-	(3,000)	1,873	-
Other operating profits	444,771	222,301	245,574	29,041
Other operating expenses	(12,128)	(36,700)	(9,413)	(502)
Operating profits	**715,838**	**664,071**	**997,716**	**215,924**
Finance income	39,814	22,884	19,606	6,582
Finance costs	(545,215)	(314,896)	(236,518)	(59,172)
Share of profits of equity-accounted investees	-	-	849	542
Profit before Zakat and income tax	**210,437**	**372,059**	**781,635**	**163,876**
Zakat and income tax	2,606	(81,591)	(116,999)	(20,928)
Profit for the year	**213,043**	**290,468**	**664,654**	**142,947**
The Company's share of hedging profit/(loss) against the cash flows of joint operations, net of deferred tax	(33,176)	(59,401)	80,394	-
Share of hedging profit against the cash flows of an equity-accounted investee, net of deferred tax	-	-	10,448	101,054
Profit/(loss) on remeasurement of defined benefit liability, net of tax	2,610	(4,704)	6,107	-
Total comprehensive income for the year	**182,477**	**226,363**	**761,603**	**244,002**
Statement of financial position				
Total non-current assets	**20,706,715**	**20,589,120**	**20,713,263**	**20,586,469**
Total current assets	**2,803,755**	**3,522,687**	**3,396,644**	**3,684,083**
Total assets	**23,510,470**	**24,111,807**	**24,109,907**	**24,270,552**
Total equity	**6,878,354**	**6,987,386**	**7,551,086**	**7,795,088**
Total non-current liabilities	**14,439,771**	**14,504,343**	**14,362,088**	**14,275,480**
Total current liabilities	**2,192,345**	**2,620,078**	**2,196,733**	**2,199,984**
Total liabilities	**16,632,116**	**17,124,421**	**16,558,821**	**16,475,464**
Total liabilities and equity	**23,510,470**	**24,111,807**	**24,109,907**	**24,270,552**
Statement of Cash Flows Summary				
Net cash generated from operating activities	**2,342,233**	**1,569,912**	**2,230,013**	**357,161**
Net cash used in investing activities	**(591,514)**	**(1,761,199)**	**(1,029,301)**	**(163,003)**
Net cash used in financing activities	**(2,029,645)**	**(299,242)**	**(1,312,873)**	**(40,246)**
Financial indicators and KPIs				
Units sold (Marafiq)				
Electricity - thousand kWh	8,396,845,330	7,850,394,085	8,501,414,917	1,986,971,568
Potable water and process water - cubic meter	159,449,193	164,869,679	163,061,032	39,071,356
Potable water and process water for Sadara - cubic meter	35,014,902	35,087,007	34,425,267	7,481,729
Wastewater (sanitary, industrial, reclaimed) - cubic meter	144,699,782	151,188,372	153,725,795	35,282,424

SAR'000s	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Financial Year 2021G (Audited)	Three-Month Period Ended 31 March 2022G (Audited)
Seawater cooling - cubic meter	7,751,318,378	8,237,822,710	8,246,876,680	1,683,178,309
Gas - million Btus	5,056,769	5,988,188	10,098,736	3,147,887
Average selling price (Marafiq) - SAR				
Electricity - thousand kWh	0.18	0.19	0.18	0.19
Potable water and process water - cubic meter	6.64	6.60	6.61	6.63
Potable water and process water for Sadara - cubic meter	10.26	10.72	11.27	12.87
Wastewater (sanitary, industrial, reclaimed) - cubic meter	2.09	2.06	2.03	2.14
Seawater cooling - cubic meter	0.06	0.06	0.06	0.06
Gas - million Btus	6.28	6.38	6.37	6.37
Units sold (Tawreed)				
Electricity (Saudi Electricity Company) - thousand kWh	23,300,288	21,842,724	21,029,804	3,927,108
Water (Saline Water Conversion Corporation) - cubic meter	174,613,248	178,762,256	176,352,416	43,027,276
Average selling price (Tawreed) - SAR				
Electricity (Saudi Electricity Company) - thousand kWh	0.07	0.07	0.08	0.09
Water (Saline Water Conversion Corporation) - cubic meter	3.37	3.37	3.40	3.58
Financial indicators				
Total profit margin (1)	8.5%	10.3%	14.6%	15.1%
EBITDA margin (2)	33.5%	32.9%	35.0%	34.5%
Operating profit margin (3)	11.7%	10.9%	16.1%	14.8%
Profit margin for the year (4)	3.5%	4.8%	10.7%	9.8%
Accounts receivable days (day) (5)	58	53	53	56
Average age of inventory (day) (6)	4	6	6	6
Accounts payable days (day) (7)	36	31	28	27
Return on assets (8)	1.0%	1.3%	3.0%	2.6%
Return on equity (9)	2.7%	3.2%	10.1%	12.5%

Source: The audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and the period ended 31 March 2022G and Management information.

(1) The total profit margin is a percentage calculated by dividing total profit by revenues.

(2) The EBITDA margin is a percentage calculated by dividing profit before interest, taxes, depreciation and amortization by revenues.

(3) The operating profit margin is a percentage calculated by dividing operation profit by revenues.

(4) The profit margin for the year is a percentage calculated by dividing the year's profit by revenues.

(5) The total number of commercial debtors was used to calculate the accounts receivable days.

(6) The average age of inventory net of spare parts was calculated by dividing the net inventory by the costs of fuel, chemicals, electricity, water and operating and maintenance costs.

(7) Accounts payable days was calculated net of contractors' credit balances based on the costs of fuel, chemical materials, electricity, water and operating and maintenance costs.

(8) The return on total assets was calculated as follows: Profit for the year/book value of total assets for the year.

(9) The return on equity was calculated as follows: Profit for the year/book value of total equity for the year.

Summary of Risk Factors

Before deciding to subscribe for the Offer Shares, prospective Subscribers are advised to carefully consider all of the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 ("**Risk Factors**") of this Prospectus.

Risks Related to the Group's Business and Operations

- Risks related to malfunctions and interruptions or shutdowns to which the Group's industrial facilities may be subject
- Risks related to natural events and disasters
- Risks related to insurance coverage for the Group's business
- Risks related to the handling, storage or disposal of hazardous substances
- Risks related to the service life of the Group's industrial facilities
- Risks related to contracts and agreements concluded with Related Parties
- Risks related to the Group's real estate properties and the risks of relying on leased real estate and assets
- Risks related to licensing, permits and corporate registration requirements
- Risks related to breaches of environmental standards to which the Group is subject
- Risks related to safety accidents and workplace errors at the Group's industrial facilities
- Risks related to joint venture partners and shareholder agreements concluded by the Company
- Risks related to the Group's inability to commence operation of its projects as planned and within the project time limit
- Risks related to the Company's inability to achieve its objectives or strategies or make use of growth opportunities
- Risks related to the Group's inability to develop or acquire new technologies or services
- Risks related to the failure to achieve the expected production levels of the Group's facilities
- Risks related to the Group's ability to accurately predict the amount of demand for its services
- Risks related to the Group's dependency on a number of key industrial customers and on the JWAP project to achieve its revenues
- Risks related to the Group's reliance on a single gas and fuel supplier
- Risks related to the COVID-19 pandemic
- Risks related to terms and conditions of termination contained in the material agreements entered into by the Group
- Risks associated with competition from other service providers in the four industrial cities
- Risks related to Management's insufficient experience in managing a publicly listed company
- Risks related to the Group's reliance on key personnel
- Risks related to Corporate Governance
- Risks related to competition of Directors and Executives of the Company for the Company's business or activities
- Risks related to working capital
- Risks related to IT and cybersecurity
- Risks related to Zakat claims
- Risks related to the application of financial reporting standards
- Risks related to facilities and loan agreements, liquidity, access to additional loans and provision of guarantees, if required
- Risks related to the collection of receivables
- Risks related to the price volatility of certain raw materials and energy prices on the Group's costs
- Risks related to seasonal factors in connection with the Group's revenues
- Risks related to interest rate fluctuations and hedging to compensate for price fluctuations
- Risks related to the Company's protection of its trademarks

Risks Related to the Market, Sector and Regulatory Environment

- Risks related to the regulatory environment and regulatory changes
- Risks related to high operational and maintenance costs, Group product and service prices and industrial city water and electricity tariffs
- Risks related to non-compliance with Saudization and other Labor Law requirements
- Risks related to legal disputes
- Risks related to the Competition Law
- Risks related to the local and regional economy
- Risks related to the impact of political risks on the Group's operations

Risks Related to the Offer Shares

- Risks related to effective control by the Current Shareholders
- Risks related to liquidity and the absence of a prior market for the shares
- Risks related to potential fluctuations in the market price of the shares
- Risks related to the sale of a large number of shares post-Offering
- Risks related to the Company's ability to distribute dividends
- Risks related to the issuance of new shares post-Offering
- Risks related to research published about the Company

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1. Definitions and Abbreviations

Admission	Admission of all the shares, including the Offer Shares, to trading on the Exchange in accordance with the OSCOs and Listing Rules.
Advisors	The Company's advisors in relation to the Offering, whose names appear on pages (xi) to (xv) of this Prospectus.
Affiliate	A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Application Form	The application form to be used by Participating Parties registered in the Kingdom to bid for the Offer Shares during the Book Building Period. This term includes, when applicable, the supplementary bid form when the price range is changed.
Aramco Power	Saudi Aramco Power Company
Auditor	KPMG Professional Services.
Authority or CMA	The Capital Market Authority of the Kingdom of Saudi Arabia.
Board	The Board of Directors of the Company.
Book Building Application for Investors Outside the Kingdom	Book building applications that are submitted to the Bookrunners via phone or e-mail, without the need to fill out and sign the Subscription Application Form for Participating Parties in accordance with the instructions stated in Section 17 ("**Share Information and Subscription Terms and Conditions**").
Book Building Instructions	The Instructions for Book Building Process and Allocation Method in Initial Public Offerings issued pursuant to CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G) as amended pursuant to CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Bookrunners	HSBC Saudi Arabia and Riyad Capital.
Business Day	Any day (with the exception of Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Company's Bylaws as summarized in Section 12.13 ("**Summary of Bylaws**").
Capital Market Law (CML)	The Capital Market Law issued under Royal Decree M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
CEO	The Chief Executive Officer of the Company.
CFO	The Chief Financial Officer of the Company. This position in the Company is called the Vice President of Finance.
CGRs or Corporate Governance Regulations	The Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) (pursuant to the Companies Law), as amended pursuant to CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Chairman	The Company's Board of Directors Chairman.
Companies Law	The Companies Law, issued under Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended.
Competition Law	The Competition Law issued under Royal Decree No. M/75 dated 29/06/1440H (corresponding to 06/03/2019G).
Control	Pursuant to the definition stated in the Glossary of Defined Terms used in CMA Regulations, "**control**" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (i) holding 30% or more of the voting rights in a company or (ii) having the right to appoint 30% or more of the members of the administrative staff. The term "**controlling party**" shall be construed accordingly.
Cristal	National Titanium Dioxide Company.
Current Shareholders	All current shareholders of the Company whose names and ownership percentages are listed in Table 5.1 ("**Company's Shareholding Structure Before and After the Offering**").
Directors	Members of the Company's Board of Directors.
Distribution of Dry Gas and Liquefied Petroleum Gas for Residential and Commercial Purposes Law	The Distribution of Dry Gas and Liquefied Petroleum Gas for Residential and Commercial Purposes Law issued by Royal Decree No. M/126 dated 01/12/1438H (corresponding to 23/08/2017G).
Electricity Law	The Electricity Law issued by COM No. 262 dated 14/05/1442H (corresponding to 29/12/2020G).
Exchange or Tadawul	The market where securities are traded and operated by the Saudi Exchange Company. Any reference to the Saudi Stock Exchange is a reference to the Exchange.
Extraordinary General Assembly	An extraordinary general assembly of shareholders convened in accordance with the Company's Bylaws.

Financial Advisors	HSBC Saudi Arabia and Riyad Capital.
Financial Due Diligence Advisor	PricewaterhouseCoopers Chartered Accountants
Financial Institutions	Banks and financial services companies.
Financial Year	The Company's financial year.
Foreign Investors	Qualified Foreign Investors (QFIs) and Foreign Strategic Investors (FSIs).
Foreign Strategic Investors (FSIs)	A foreign legal entity aiming to acquire a strategic interest in listed companies in accordance with the FSI Instructions. "**Strategic interest**" refers to the direct ownership percentage in the listed company's shares, through which the owner aims to contribute to enhancing the financial or operating performance of the listed company.
FSI Instructions	The instructions for FSIs to acquire strategic stakes in listed companies issued by the CMA Board pursuant to Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).
G	Gregorian calendar.
Gas Supplies and Pricing Law	The Gas Supplies and Pricing Law issued by Royal Decree No. M/36 dated 25/06/1424H (corresponding to 23/08/2003G).
GCC	The Cooperation Council for the Arab States of the Gulf.
GCC Investor with Legal Personality	A legal entity with a majority of its capital owned by citizens of GCC countries or their governments, which have the nationality of a GCC country in accordance with the definition set out in the Resolution of the Supreme Council of the Gulf Cooperation Council (GCC) issued in its fifteenth session and approved by COM No. 16 dated 20/01/1418H, as well as corporate investment funds established in a GCC country whose units are publicly offered to investors in those countries in accordance with their respective applicable laws with a majority of their capital owned by citizens of GCC countries or their governments.
GDP	Gross domestic product.
General Assembly	The Extraordinary General Assembly or the Ordinary General Assembly of the Company.
Glossary of Defined Terms used in CMA Regulations	The Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority issued pursuant to CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by Capital Market Authority Board Resolution No. 4-77-2022 dated 23/11/1443H (corresponding to 22/06/2022G).
GOSI	The General Organization for Social Insurance in the Kingdom of Saudi Arabia.
Government	The government of the Kingdom of Saudi Arabia.
Group	The Company and its Subsidiaries
H	Hijri calendar.
IASB	The International Accounting Standards Board.
IFRS	The International Financial Reporting Standards that are endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA, as well as the International Financial Reporting Standards issued by IASB.
Individual Subscribers	This tranche comprises Saudi natural persons including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her Saudi minor children, and any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents.
Internal Corporate Governance Manual	The Company's Internal Corporate Governance Manual approved on 24/10/1443H (corresponding to 25/05/2022G).
Investment Funds Regulations	The regulations issued by CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G) as amended by the Capital Market Authority Board Resolution No. 2-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
IWP	Independent Water Production Project.
IWPP	Independent Water and Power Production Project.
JCPDI	Jazan City for Primary and Downstream Industries.
Jeddah O&M	Jeddah Althaniya Operation and Maintenance Company, a Saudi limited liability company.
Jeddah Project Company	Jeddah Althaniya Water Company, a Saudi limited liability company.
Joint Global Coordinators	HSBC Saudi Arabia and Riyad Capital.
JWAP	Jubail Water and Power Company, a Saudi closed joint stock company.

Labor Law	The Saudi Labor Law issued under Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), as amended by Royal Decree No. M/5 dated 07/01/1442H (corresponding to 26/08/2020G).
Legal Advisor	Fahad Ahmed Abu Haimed, Majed Abdullatif Al Sheikh and Mansour Abdulaziz Al Haqbani Law Firm.
Light Industrial Park	Light Industrial Park.
Listing	The listing of securities on the Exchange in accordance with the Listing Rules.
Listing Rules	The Tadawul Listing Rules issued by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to the Capital Markets Authority Board Resolution No. 1-52-2022 dated 12/09/1443H (corresponding to 13/04/2022G).
Lock-up Period	The period during which the Substantial Shareholders may not dispose of their shares, which ends six (6) months after trading of the shares commences on the Exchange.
MAADEN	Saudi Arabian Mining Company.
Market Consultant	London Economics International - Middle East
MaSa	MASA Services Company for Operation and Maintenance, a one-person limited liability company.
Material Subsidiaries	Jubail Water and Power Company (JWAP), Marafiq Water and Power Supply Company (Tawreed) and MASA Services Company for Operation and Maintenance, a one-person company (MaSa).
MEWA	The Ministry of Environment, Water and Agriculture of the Kingdom of Saudi Arabia.
MHRSD	The Ministry of Human Resources and Social Development of the Kingdom of Saudi Arabia.
MIL	Marafiq Insurance Limited, a limited liability company registered in Guernsey.
MISA	The Ministry of Investment of the Kingdom of Saudi Arabia.
MOC	The Ministry of Commerce of the Kingdom of Saudi Arabia.
MOE	The Ministry of Energy of the Kingdom of Saudi Arabia.
MOMRAH	Ministry of Municipal, Rural Affairs and Housing of the Kingdom of Saudi Arabia.
Nazaha	The Oversight and Anti-Corruption Authority in Saudi Arabia
Net Proceeds	The Offering proceeds after deduction of all expenses related to the Offering.
NTP	The National Transformation Program of the Kingdom of Saudi Arabia.
Offer Price	[•] Saudi Riyals per Offer Share.
Offer Shares	73,094,500 shares, representing 29.24% of the Company's capital.
Offering	The initial public offering of the Company's shares under the terms of this Prospectus.
Offering Period for Individual Subscribers	The period which will commence on Wednesday dated 01/04/1444H (corresponding to 26/10/2022G) and continue for a period of Four (4) calendar days up to the subscription closing date and end at the end of Saturday dated 04/04/1444H (corresponding to 29/10/2022G).
Ordinary General Assembly	An ordinary general assembly of shareholders convened in accordance with the Company's Bylaws.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), based on the Capital Market Law, and amended by the Capital Market Authority Board Resolution No. 5-5-2022, dated 02/06/1443H (corresponding to 05/01/2022G).

Participating Parties	This tranche comprises the parties that are entitled to participate in the book building process under the Book Building Instructions, namely: a- public and private funds that invest in securities listed on the Exchange as permitted by the fund's terms and conditions, and in accordance with the provisions and limitations stipulated in the Investment Funds Regulations and the Book Building Instructions; b- capital market institutions which are licensed to deal in securities as a principal in accordance with the Prudential Rules when submitting the Subscription Application Forms; c- clients of a capital market institution authorized by the CMA to conduct managing activities in accordance with the provisions and restrictions set forth in the Book Building Instructions; d- any legal persons allowed to open an investment account in the Kingdom and an account with the Securities Depository Center (SDC), with the exception of non-resident foreign investors, other than QFIs under the QFI Rules; e- Government entities, any supranational authority recognized by the CMA or the Exchange or any other stock exchange recognized by the CMA or the SDC; f- Government-owned companies, whether investing directly or through a portfolio manager; and g- GCC companies and GCC funds, if permissible according to the terms and conditions of such funds.
Participating Parties Subscription Application Form	The form that Participating Parties use to subscribe to the Offer Shares.
PIF	The Public Investment Fund of Saudi Arabia.
Prospectus	This prospectus prepared by the Company in connection with the Offering in accordance with the OSCOs.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to CMA Board Resolution No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) pursuant to the CML, as amended by the Capital Market Authority Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).
QIC	Qurayyah Investment Company, established in the Kingdom of Saudi Arabia.
Qualified Foreign Investors (QFIs)	A qualified foreign investor authorized to invest in listed securities in accordance with the QFI Rules. Qualification applications are submitted to an authorized market institution for evaluation and acceptance of the application in accordance with the QFI Rules.
RC Master Lease	The Master Lease concluded with the Royal Commission on 01/01/2003G.
Receiving Agents	The Receiving Agents listed on page (x) of this Prospectus.
Regulatory Rules and Procedures relating to Listed Joint Stock Companies	The Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies issued by the Capital Markets Authority Board Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G) pursuant to the Companies Law, as amended pursuant to CMA Board Resolution No. 4-122-2020 dated 03/04/1442H (corresponding to 18/11/2020G).

Related Party/Parties	According to the Glossary of Defined Terms Used in CMA Regulations, this includes the following: 1- affiliates of the Company; 2- Substantial Shareholders of the Company; 3- Directors and Senior Executives of the Company; 4- Directors and Senior Executives of affiliates of the Company; 5- Directors and Senior Executives of Substantial Shareholders of the Company; 6- any relatives of persons described in 1, 2, 3, 4 or 5 above; and 7- any company controlled by any person described in 1, 2, 3, 4, 5 or 6 above. For the purposes of the Corporate Governance Regulations, such term includes the following: a- Substantial Shareholders of the Company; b- Directors of the Company or any of its Subsidiaries and their relatives; c- Senior Executives of the Company or any of its Subsidiaries and their relatives; d- Directors and Senior Executives of Substantial Shareholders of the Company; e- entities, other than companies, owned by a Director or any Senior Executive or their relatives; f- companies in which a Director or a Senior Executive or any of their relatives is a partner; g- companies in which a Director or a Senior Executive or any of their relatives is a member of its Board of Directors or Senior Executives; h- joint stock companies in which a Director or Senior Executive or any of their relatives owns 5% or more, subject to the provisions of Paragraph d of this definition; i- companies in which a Director or Senior Executive or any of their relatives has an influence on their decisions even if only by giving advice or guidance; j- any person whose advice or guidance influences the decisions of the Company, the Board and the Senior Executives; and k- holding companies or affiliates of the Company. Advice or guidance that is provided on a professional basis by a person licensed to provide such advice shall be excluded from the provisions of Paragraphs i and j of this definition.
Relatives	The husband, wife and minor children. For the purposes of the Corporate Governance Regulations, such term includes the following: • fathers, mothers, grandfathers, grandmothers and their ancestors; • children, grandchildren and their descendants; • siblings, maternal and paternal half-siblings; and • husbands and wives.
REPDO	The Renewable Energy Projects Development Office, which was established in the Kingdom of Saudi Arabia under the Ministry of Energy in 2017G to achieve the goals of the National Renewable Energy Program (NREP) in line with Saudi Vision 2030.
Retail Subscription and Settlement Coordinator	HSBC Saudi Arabia.
RIC or Ras Al Khair	Ras Al Khair Industrial City.
Royal Commission or RC	The Royal Commission for Jubail and Yanbu (RCJY).
SABIC	Saudi Basic Industries Corporation.
Sadara	Sadara Chemical Company.
Saudi Arabian Riyal (SAR)	The official currency of the Kingdom of Saudi Arabia.
Saudi Aramco or Aramco	Saudi Arabian Oil Company.
Saudi Central Bank or SAMA	The Saudi Central Bank.
SEC	Saudi Electricity Company, established in the Kingdom of Saudi Arabia.
Secretary	The Secretary of the Board of Directors.
Securities Act	The United States Securities Act of 1933, as amended.
Selling Shareholders	The Royal Commission, the Public Investment Fund, Saudi Aramco Power Company and Saudi Basic Industries Corporation (SABIC).

Senior Executives	The senior executives whose names appear in Section 5.3 ("**Senior Executives**"), who are members of the Company's Executive Management.
Shares	Any ordinary share with a nominal value of SAR 10 in the Company's capital.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
SPPC	The Saudi Power Procurement Company.
Subscribers or Investors	Individual Subscribers and Participating Parties.
Subscription Application Form	Includes the Subscription Application Form for Participating Parties and the Retail Subscription Application Form, as applicable.
Subscription Application Form for Individual Subscribers	The subscription application form that Individual Subscribers must fill out to subscribe to the Offer Shares during the Offering Period for Individual Subscribers.
Subsidiaries	The Company's subsidiaries are: Jubail Water and Power Company (JWAP), Marafiq Water and Power Supply Company (Tawreed), MaSa Services Company for Operation and Maintenance, a one-person company (MASA), Marafiq Insurance Limited (MIL), Jeddah Althaniya Water Company, Jeddah Althaniya Operation and Maintenance Company and Jubail and Yanbu District Cooling Company.
Substantial Shareholders	Any shareholder owning five percent (5%) or more of the Company's shares.
SWAPs	Non-GCC nationals who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom are permitted to acquire an economic interest in the shares by entering into swap agreements with Capital Market Institutions authorized by the CMA. Under such swap agreements, the Capital Market Institutions will be registered as the legal owner of such shares.
SWCC	Saline Water Conversion Corporation in the Kingdom of Saudi Arabia.
SWPC	Saudi Water Partnership Company in the Kingdom of Saudi Arabia.
Tawreed	Marafiq Water and Power Supply Company, a Saudi limited liability company.
The Company, Marafiq, or the Issuer	The Power and Water Utility Company for Jubail and Yanbu (Marafiq).
The Kingdom or KSA	The Kingdom of Saudi Arabia.
The Public	Persons other than the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- Directors and Senior Executives of the affiliates of the Issuer; 5- Directors and Senior Executives of the Substantial Shareholders of the Issuer; 6- any relatives of the persons referred to in 1, 2, 3, 4 or 5 above; 7- any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; and 8- persons acting in concert with a collective shareholding of 5% or more of the class of shares to be listed.
Underwriters	HSBC Saudi Arabia and Riyad Capital.
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriter in accordance with the terms described in Section 13 ("**Underwriting**").
Water Law	The Water Law issued by Royal Decree No. M/159 dated 11/11/1441H (corresponding to 02/07/2020G).
WERA	The Water and Electricity Regulatory Authority in the Kingdom of Saudi Arabia.
WERA Regulation	The Water and Electricity Regulatory Authority's Regulation issued pursuant to COM No. 263 dated 14/05/1442H (corresponding to 29/12/2020G).
Yanbu Power Generation Plant	Yanbu Power Generation Plant.
ZATCA	The Zakat, Tax and Customs Authority

1.1 Technical Definitions

Arab Light Crude Oil	Medium-gravity, high-sulfur crude oil produced by Saudi Arabia.
CAGR	The compound annual growth rate, which measures the rate of investment growth over time (an indicator of the rate of return on investment).

COD	The commercial operation date of a plant.
Co-generation	The simultaneous production of electricity and desalinated water or steam, or both.
Co-generation License	A license issued by WERA for Co-Generation.
Desalinated Water	Seawater treated by desalination.
Desalination	Water production from seawater by removing salinity and contaminants through a series of industrial processes carried out in desalination plants to provide fresh water for urban, industrial and agricultural use.
EBITDA	Operating profit plus depreciation and amortization is included in operating costs and general and administrative expenses.
Electricity Tariff	An approved fee paid in exchange for an electricity-related service or product.
Environmental Operation License	An environmental license to operate light and support industries.
Fair Value	A price estimate based on current market conditions.
GW	A unit of electrical energy equal to 1 billion watts of energy.
Heavy Fuel Oil	A substance obtained through the distillation of petroleum, either as a distillate or as a residue.
Inventory	Inventory is measured at cost or net realizable value, whichever is lower.
IT	Information Technology.
KW	A measurement unit for electricity equal to 1 thousand watts.
MW	A measurement unit for electricity equal to 1 million watts.
Natural Gas/Dry Gas/ Sales Gas	This consists mainly of methane and may include amounts of ethane, small amounts of heavier hydrocarbons, and small amounts of other components.
Net book value	Net book value is an accounting term that refers to the value of an asset based on the balance sheet account. The value is based on the original cost of the asset net of any depreciation, amortization, or impairment costs that occur against the asset.
Operation and Maintenance (O&M)	Operation and maintenance work.
Petroleum Products	Crude oil and its derivatives, including jet fuel, kerosene, gasoline, diesel, fuel oil and asphalt.
Photovoltaic Solar Energy	A collection of solar cells that convert sunlight into electrical energy.
Power and Water Purchase Agreement (PWPA)	An agreement that regulates the production and purchase of power and water between the buyer and the seller (of the product).
Power Purchase Agreement (PPA)	An agreement that regulates the production and purchase of energy between the buyer and the seller (of the product).
Process Water	Water used in industries, manufacturing processes, power generation and other similar applications.
Sewage/Sanitary Wastewater	Wastewater resulting from urban use.
Steam Turbine Generators	Generators that use steam turbines to generate electricity.
SWRO	Sea Water Reverse Osmosis.
Treated Water	Sanitary, industrial or agricultural wastewater that has been treated by biological, physical, industrial or natural methods to remove contaminants and make it safe for disposal in the environment or to be reused for urban, industrial or agricultural purposes, depending on the degree of treatment.
Turbine Generators	Generators that produce electricity using gas turbines.
Wastewater	Water that has changed color, taste, odor or hygienic or environmental safety due to use.
Water Distribution	The delivery of water to beneficiaries or consumers from production or delivery sites, through networks, tanks or any other suitable means, not including the distribution of water for agricultural use.
Water Tariff	An approved fee paid in exchange for a service or unit of water.

Water Transportation	The transportation of water from production sites to main water distribution points.
Yanbu 1	Yanbu Industrial City 1.
Yanbu 2	Yanbu Industrial City 2.

2. Risk Factors

Before deciding whether to invest in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all the risks that the Group may encounter, and additional risks may exist that are not currently known by the Group, or that may be deemed immaterial but may nevertheless affect the Group's operations.

The Group's business, financial position, results of operations and prospects could be adversely and materially affected if any of the following risks, or any other risks that the Directors have not identified or that are currently considered not material, actually occur or become material. As a result of such risks or other factors that may affect the Group, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Group and/or the Directors expect, or at all. When evaluating the risks described below, a prospective investor should also consider, amongst other information set out in this Prospectus, the information on the Group and the relevant agreements described in Section 4 ("**The Company**") and Section 12 ("**Legal Information**"), respectively.

The Directors confirm that, to the best of their knowledge and belief, as at the date of this Prospectus there are no other material risks besides those mentioned in this section, the non-disclosure of which would affect investors' decisions to invest in any Offer Shares.

An investment in the Offer Shares is only appropriate for investors who are capable of assessing the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. Any prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The occurrence of any of the risk factors specified below, or the occurrence of any other risks which the Directors have not identified or those which they do not consider to be material as at the date of this Prospectus, may result in the reduction of the price of the shares in the market and an investor could lose all or some of the value of their investment in the Offer Shares.

The risks described below are presented in an order that does not reflect their importance or anticipated effect on the Group. The risks set out in Section 2 ("**Risk Factors**") do not purport to be: (a) a complete list of all risks which may affect the Group or its operations, activities, assets or the markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

2.1 Risks Related to the Group's Business and Operations

2.1.1 Risks related to malfunctions and interruptions or shutdowns to which the Group's industrial facilities may be subject

Because the Group's business relies on the operation of industrial facilities specialized in providing water, energy and gas services, these industrial facilities may be subject to technical failures and risks, including, but not limited to, the unexpected and unplanned breakdown of some of the Group's facilities. During the financial years 2020G and 2021G, the Group's business in Yanbu Industrial City experienced some non-material disruptions. Although these interruptions were not material to the Group's business, there is no guarantee that they will not occur in the future or that any material interruptions to the Group's business will not occur in the Group's facilities as a result of technical malfunctions (for more information about the malfunctions that the Group's facilities may experience, please refer to Section 4.15 ("**Any Significant interruption in the business of the Group**") of this Prospectus). The Group may not be able to operate the industrial facilities at the expected level to meet the needs of its customers in terms of production or efficiency and effectiveness or it may run them at a lower capacity than their actual capacity. There are other risks that, if they occur, may result in a decrease in the Group's revenues and profitability, unexpected maintenance and operating costs or the Group's inability to meet its obligations to third parties. Malfunctions and performance issues at the Group's facilities can be caused by a number of factors, including human error, a lack of maintenance, normal wear and tear or weather conditions. For example, the Group's water distribution systems may be affected as a result of water leakage or contamination while being delivered to customers. This could result in the suspension of the Group's operations until the problem is resolved. This may, in turn, result in the imposition of fines or penalties for violation of environmental regulations, or the filing of compensation claims against the Group by the beneficiaries of these services. Water leakage issues are common for companies that operate water utilities, but they are sensitive issues for regulatory bodies and customers. The Company has set KPIs for water leakage at 9.72% for 2022G, 5.89% for 2023G and as low as 5.38% for 2026G. If the percentages in the Company's KPIs are not met, or if any of the risks listed occur, it could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

As a result, many of the Group's properties and facilities require extensive periodic repair and maintenance work to avoid unanticipated and unplanned disruptions in operations that may reduce expected levels of production or efficiency. Furthermore, the Group must maintain a redundant power reserve of 11% to 12% in order to maintain its ability to provide the production capacity required in the event of a sudden or unplanned disruption, in accordance with its agreements. In general, unplanned disruptions of the Group's operations in relation to the provision of water, power and gas services increase the Group's expenses in terms of unusual operations and maintenance, in addition to any other expenses that the Group may incur, such as the costs of technical studies and fees of advisors and technicians hired to inspect the defect. Such expenses may not be recoverable and may impact revenues

In the event of such unexpected machinery and equipment malfunctions, the Group's projects and businesses may incur significant losses due to repair costs, as well as a revenue decrease while any of the projects are out of service or decommissioned. Furthermore, the Group shall be liable for paying liquidated damages incurred by the contracting parties, as well as any other penalties and/or an increase in insurance costs. There can be no guarantees that losses will be adequately covered by the Group's property damage and business disruptions insurance coverage (for further details, please refer to Section 4.15 ("**Any Significant interruption in the business of the Group**") of this Prospectus). Based on the foregoing, any of the above-mentioned malfunctions will increase the rates of compulsory stoppage of the production of water, energy and gas services, reduce the availability of production in commercial quantities and result in additional expenses and prolonged stoppages, which may adversely impact the reputation of the Group or related affected projects, which will in turn have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

In addition, the equipment and machinery at the plants, both old and new, may be in need of periodic development, maintenance, improvement or repair. It may be difficult to obtain spare parts for them in cases where the relevant project depends only on one supplier and/or on a small number of suppliers of equipment and machinery or when suppliers become insolvent for any reason. The inability to obtain replacement equipment or spare parts may have a negative impact on the capacity and performance of the relevant plant, which would therefore have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Also, when the main equipment needs to be replaced due to breakdown or underperformance, the Company or Group may incur significant capital expenditures, expenses that the Group may have to pay if they are not covered by the supplier's warranty period or return period due to hidden defects, or any insurance obtained by the Company or Group in connection with any of the projects. If the total amount required to repair such a malfunction exceeds the available funds of the Group, including insurance and guarantee period proceeds, the Group may be required to seek additional loans or capital financing for the related project, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. Any unexpected disruption, including downtime due to breakdowns, forced downtime, or any unexpected capital expenditures at the Group's water, energy and/or gas service plants, will result in lower revenue and profitability and will have an impact on the ability of the Group's projects to repay debts, meet other obligations and distribute dividends. These expenses may vary by plant and may differ significantly from the amounts estimated by the Company. The Group cannot guarantee that such malfunctions and risks will not occur, and if they do, they may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.2 Risks related to natural events and disasters

Any damages suffered by the Group's industrial facilities or employees caused by natural disasters beyond the Group's control, such as floods and earthquakes and acts of sabotage, such as acts of violence and actions targeting the Group's facilities or employees, could result in significant and enormous costs for the Group. In the event of natural disasters or other acts of sabotage and damage to the Group's industrial facilities, this will affect its ability to conduct its business and meet its obligations, which may reduce its future operational results. This would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. The production levels of the Group's projects as well as the energy and water consumption levels of the Group's customers may depend on weather conditions in general. The Group conducts a study during the development phase to assess the frequency of the aforementioned weather conditions. However, such conditions fall outside the control of the Group and could vary significantly from one period to another as a result of climate change. They are also subject to seasonal changes, and therefore are difficult to predict. This variation, in addition to weather conditions in general and unusual bad weather conditions, may therefore lead to variations and fluctuations in production and profitability levels, which could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and thus the Company's share price.

2.1.3 Risks related to the insurance coverage of the Group's business

The Group has a number of insurance policies to cover risks arising from its business or operations, as well as employee health insurance and property insurance (for further details, please refer to Section 12.11 ("**Insurance Policies**") of this Prospectus). However, the Group's business may be exposed to a number of risks against which it may not be adequately insured (e.g. insurance against business disruptions, which the Company has decided not to obtain after examining its need for it and the absence of disruptions in previous years requiring such insurance coverage, taking into account the costs it would incur for such insurance), or which cannot be fully insured against or cannot be insured against at reasonable commercial rates. The Group cannot guarantee that its current insurance coverage is adequate to protect it from the aforementioned risks, which may result in significant financial losses, third-party claims for personal injury, accidents in the course of operations or loss resulting from property damage.

The coverage provided by the Group's insurance policies may be discontinued, and future insurance coverage may not be available at reasonable commercial prices. If the insurance policies are not renewed within the current scope of coverage and under commercially acceptable terms, or if they are not renewed at all, or if there is no insurance or insufficient insurance for the different fields of the Group's business, this would have a material adverse effect on the Group's business, financial position, results of operations and future prospects, and therefore the Group's share price.

2.1.4 Risks related to the handling, storage or disposal of hazardous substances

The Group's business activities, including sanitary wastewater treatment, include the use, treatment, storage, transportation and/or disposal of hazardous substances, chemicals and waste. These activities pose risks related to environmental responsibilities and potential damage to the Group's reputation.

Pollution, leakage and emission of hazardous material are common environmental risks in the energy and water sectors. The Group follows a number of environmental and safety standards set by the Royal Commission in the industrial cities where it operates in order to reduce pollution rates and environmental risks in general. These laws, regulations, requirements, etc. govern the production, storage, handling, use, disposal and transportation of hazardous materials, as well as the emission and discharge of hazardous substances into the ground, air or water, and the treatment of migratory birds, endangered animals and plants species.

Pursuant to applicable environmental laws and regulations, the Group may be held liable for emissions of hazardous material at its facilities or customer facilities, including if such emissions pollute the air, water or soil or cause personal injury. The Group may be liable if it generates hazardous materials or waste, arranges for their transport, disposal or treatment or transports them itself and they leak or cause any damage. In particular, any accident caused by these emissions can cause serious damage to the environment, staff, neighbouring populations and Group customers, exposing the Group to serious consequences that may not be covered by insurance policies. If any of these risks occur, the Company may be subject to fines or penalties from the competent authorities, and this may have an adverse effect on the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

2.1.5 Risks related to the service life of the Group's industrial facilities

The service life of the Group's industrial facilities and assets is negatively affected over time as their operational efficiency deteriorates. There is no guarantee that the industrial facilities and Group assets will continue to function as efficiently as required by the Group's operations, which could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

In addition, the service life of the Group's industrial facilities and assets may be shorter than expected, which may lead to a reassessment of the useful life and thus a higher rate of depreciation or impairment. During 2021G, the Group conducted a detailed reassessment of the useful life of the plants it owned, both internally and through an external reviewer, and it became clear that the service life of a number of these plants was longer than their useful life due to obsolescence. Reassessment of the plants' service life may be inaccurate, or may change in the coming years, and therefore may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The reduced operational efficiency of the Group's industrial facilities due to obsolescence may also result in the Group's need to establish new industrial facilities, which may incur additional high costs that would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.6 Risks related to contracts and agreements entered into with Related Parties

The Company enters into transactions with many related parties (i.e., its affiliates and shareholders) (the "**Related Parties**") as part of its ordinary course of business, including with the Royal Commission, Saudi Aramco and its subsidiaries , the Public Investment Fund, SABIC subsidiaries, Tawreed, JWAP and MaSa Services Company for Operation and Maintenance, which are all entered into on an arm's length basis. The most important of these transactions are real estate and asset lease agreements with the Royal Commission; gas and fuel supply agreements with Saudi Aramco; operating and maintenance agreements with MaSa; water supply agreement with JWAP; energy and water sales agreement with Tawreed; and utility users' agreements with Saudi Aramco. For more information on the Company's material agreements with Related Parties, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**").

Transactions with Related Parties are identified and recorded in the financial statements in accordance with IFRS standards and the regulations, instructions and principles in force in the Kingdom. The value of revenues from the Related Party transactions entered into by the Company based on the consolidated financial statements (prepared in accordance with IFRS standards) was SAR 4,633,756,000 for the financial year ended 31 December 2019G (constituting 75.9% of the Group's total revenues for that period), SAR 4,395,107,000 for the financial year ended 31 December 2020G (constituting 72.2% of the Group's total revenues for that period), SAR 4,985,488,000 for the financial year ended 31 December 2021G (constituting 80.5% of the Group's total revenues for that period) and SAR 1,153,945,000 for the three-month period ended 31 March 2022G (constituting 78.9% of the Group's total revenues for that period), while the volume of costs from transactions with the Related Parties was SAR 1,633,798,000, SAR 1,528,881,000, SAR 1,521,589,000 and SAR 353,197,000 for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G, respectively, which constituted 29.2%, 28%, 28.8%, and 28.5% of the Group's total cost of revenue for that period.

The success of the Group is highly dependent on the continuation of relations with the Related Parties, in particular because the Royal Commission is the sole lessor in the four industrial cities where the Company operates (i.e., Jubail, Yanbu, RIC and JCPDI), and because Saudi Aramco is the only gas and fuel supplier in the Kingdom. Expiry or termination of certain contracts or relationships will have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

As at the date of this Prospectus, all transactions with the current Related Parties were entered into on an arm's length basis. However, there is no assurance that the terms and scope of future agreements will be similar to those that can be obtained if independent persons (i.e., non-Related Parties) are contracted. This is especially true when the Group's interests differ from those of the Related Parties who are party to those agreements. If the Company enters into contracts with any Related Parties on a non-arm's length basis and/or if such transactions result in the improper transfer of benefits to parties related to the Group, this may have an adverse effect on the Company's costs and revenues, which would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Pursuant to Article (71) of the Companies Law, no Director may have a direct or indirect interest in the transactions and contracts executed for the benefit of the Company unless authorized by the Ordinary General Assembly. Since certain Directors have an interest in such transactions, the Company has obtained the approval of the General Assembly for all such transactions and contracts in accordance with the requirements of Article (71) of the Companies Law. Please refer to Section 5.6.1 ("**Interests of Directors, Senior Executives and the Secretary in contracts and agreements entered into by the Company and its Subsidiaries**").

There are risks that the approval of the Board of Directors or General Assembly of the Company or the General Assembly of any of the Group's companies may not be obtained for such transactions. In this case, the Director who is a stakeholder in the transaction must resign or take steps to ensure that they no longer have any interest (for example, by terminating the contract in question or ceding the rights arising from said interest). Although the Group has developed policies to address conflicts of interest and dealings with Related Parties, including specific disclosure procedures and obtaining the necessary approvals from internal committees, the Board of Directors and the Company's General Assembly (as appropriate), it cannot be assured that there is no conflict of interest with regard to the Group's agreements from time to time due to those Parties' relationship with the Group. Termination of these contracts or the resignation of said Director may have a material adverse effect on the Group's operations and profitability, therefore affecting its business, results of operations, financial position and future prospects.

If the Company is unable to find an appropriate alternative to the Related Parties currently contracted within a reasonable period of time or if the Company is obligated to conclude alternative contracts on non-preferential terms that are not commensurate with the Company's plans and strategic objectives, it may incur additional costs for the conclusion of said contracts, which would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.7 Risks related to the Group's real estate properties and risks of relying on leased real estate and assets

The Royal Commission is the sole owner of properties, sites and infrastructure facilities in Jubail and Yanbu industrial cities, JCPDI and RIC, and it has the right to lease them. The Company leases all these properties, sites, infrastructure facilities and assets from the Royal Commission. The Group also owns one property in Jubail with an area of 59.926 m^2, and it should be noted that the Company has not updated or issued an electronic deed for this property.

In its operational business, the Company relies on properties and assets leased from the Royal Commission (noting that there are assets established and owned by the Company) under the RC Master Lease, which governs the contractual relationship between the Company and the Royal Commission and which grants the Company the right to lease the assets and industrial facilities required for its work from the Royal Commission and the mechanism for determining the lease payment, in addition to other terms and conditions, including the Company's right to purchase assets at any time during the asset lease agreement's validity term in exchange for payment of the total remaining lease amount to be settled annually under the asset lease agreement. The RC Master Lease agreement states that the ownership of these assets shall be transferred to the Company upon the expiry of the lease term. For more information about the RC Master Lease, please refer to Table 12.40 ("**Summary of the Group's Lease Agreements**") of this Prospectus. These provisions also include clauses that give the Royal Commission (as the lessor) the right to terminate the lease agreements and collect the lease amount due from the Company if the Company commits any of the breaches specified in the agreements. If the Royal Commission terminates the lease agreements before the end of their term due to the Company's breach as defined in the RC Master Lease, and the Company does not express its desire to purchase the relevant assets, the Royal Commission has the right to recover the assets and a termination fee representing all overdue asset lease payments, in addition to all other amounts that may be due under the RC Master Lease. This will lead to the non-transfer of ownership of these assets to the Company. In the event that the Company breaches its obligations under the RC Master Lease, it may not be able to rectify that breach, which would allow the Royal Commission to terminate the lease of the related assets. In the event that the Royal Commission terminates any of the asset agreements, the Company may not be able to lease those assets or any other assets from the Royal Commission, which may affect the Company's operations, business and profitability. Furthermore, the plot lease agreement did not include clauses relating to how the Group would operate the assets built on the plots leased from the Royal Commission if the plot lease agreement was terminated. If the Royal Commission terminates the asset lease agreement, the Group will not be able to operate the assets built on these plots, and the Group may not be able to conclude a new agreement with the Royal Commission to lease these plots or any other plots in the industrial cities, which may affect the Company's operations, business and profitability. It should be noted that the Company has received several assets from the Royal Commission without signing lease contracts for them. The total value of these assets as at 31 March 2022G is estimated to be one billion, three hundred and sixty-two million, seven hundred and seventeen thousand Saudi Riyals (SAR 1,362,717,000). When the Company and the Royal Commission sign lease contracts for these assets, the Company must pay the principal lease amounts due for these assets from the date of their receipt, in addition to the administrative fees that the Royal Commission may add to the principal amounts payable for these assets, which range from 15% to 20% of the value of the assets. This means that the final amount due for the lease of these assets is set months or years after the date of receipt of the assets and paid retroactively from the date of receipt until the date of signing, resulting in the Company paying large sums that may affect its cash flows. Although the Company has set aside reserves to cover the principal amounts as well as expected management costs, these reserves may not be sufficient to cover all of the amounts that may be imposed by the Royal Commission. In addition to the foregoing, the Company's reserves do not cover the management costs associated with assets received prior to 2019G for which lease contracts were not signed, the value of which amounts to SAR 339 million.

If any of these risks occur, it may result in the Company losing all the lease payments it made during the lease period, which would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.8 Risks related to licensing, permits and corporate registration requirements

The Group currently owns a number of permits and licenses necessary to operate its business, including water, power and gas services, issued by the relevant regulatory authorities, including WERA, the Royal Commission, the Ministry of Energy, and MEWA. Please refer to Section 12.5 ("Key Licenses and Approvals ") of this Prospectus.

Permits, licenses and approvals are generally subject to periodic renewal. Furthermore, most licenses state that if the relevant company fails to comply with the relevant license requirements, it may face financial penalties or have its licenses suspended or terminated.

There is no guarantee that the relevant authority will renew the relevant license or amend it while maintaining the same scope of work as before such renewal or amendment. In addition, the competent authority may impose onerous conditions on the Company or any of its Subsidiaries in the event of such renewal (for example, due to a difference in interpretation by the Group and the regulator regarding the legal requirements and standards or other relevant matters). While the Group believes that the Company or its Subsidiaries have obtained all necessary licenses for its operations, there is no guarantee that no additional licenses will be requested in the future. If the Company or any of its Subsidiaries is unable to obtain the relevant license or renew an existing license on similar terms, it may materially affect its operations and, in some limited circumstances, may result in the project being cancelled or the relevant plant being shut down.

It should be noted that the Company operates in the industrial water services business (collecting and treating industrial water, distributing and selling process water) without obtaining the necessary licenses under the Water Law and its implementing regulations because the regulator has not yet begun issuing licenses for these activities. If the regulator starts issuing such licenses, it may impose certain conditions that result in additional expenses and costs for the Company. (For further details, please refer to Section 2.2.1 ("**Risks related to the regulatory environment and regulatory changes**"), Section 12.5 ("**Key Licenses and Approvals**") and Section 3.4.2 ("**Regulatory Framework**") of this Prospectus.

As stated in Section 4.8.4 ("**New Plants and Facilities located in other cities within the Kingdom**") of this Prospectus, the Company is currently working with the Royal Commission to transfer some of the assets located in JCPDI and RIC from the respective authorities to the Company for the purpose of providing utility services in those two cities. The Company has obtained licenses for power distribution and retail and desalinated water production for its work in JCPDI, and is working on obtaining licenses for storing and distributing water in RIC, however the Company has not issued commercial registration certificates for its branches in those two cities as at the date of this Prospectus, which may be considered a violation of the Commercial Register Law and fines may be imposed on the Company until such registrations are issued.

Jubail Water and Power Company (JWAP) has not amended or updated its Bylaws to comply with the changes made to the Companies Law (under Royal Decree No. M/79 dated 25/07/1439H) and the MOC requirements for updating the Company's activities to comply with the National Classification of Economic Activities.

If any of the Group's companies is unable to obtain or renew its current permits and licenses or comply with the statutory requirements, this will prevent the Company or the relevant Group company from continuing its respective operational business, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.9 Risks related to breaches of environmental standards to which the Group is subject

The environmental regulations the Group is subject to are expected to become more stringent in the future. If the Group's agreements do not include legal protection against changes in laws and regulations that may allow it to receive compensation for the costs of complying with these requirements, any changes in the relevant legal framework may result in increased liabilities, compliance costs, capital expenditures, or the Group may face difficulty complying with applicable requirements or obtaining financing for its projects. In connection with these environmental laws, regulations and requirements, the Group may need to obtain new or revised permits, purchase offsets or allowances, or install costly emission control technologies and such changes could have a material adverse impact on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The Group may face challenges in meeting applicable environmental requirements permits in the future. The business of generating power involves certain risks, including spillage, leakage or emission of hazardous substances. This can result from or lead to the Group's non-compliance with applicable environmental laws. Governmental environmental authorities and/or other private entities may take legal action against the Group for any failure to comply with applicable environmental laws, requirements or licenses. Such actions could lead to, among other things, the imposition of fines, liabilities or capital improvements, revocation of licences, suspension of operations, imposition of criminal liability or reputational harm to the Group.

In 2019G and 2020G, the Royal Commission issued seven penalties to the Company totalling SAR 1.9 million (SAR 550,000 in 2019G and SAR 1,350,000 in 2020G). The Royal Commission issued nine non-compliance penalties to the Company that are still under consideration, totalling two million and thirty thousand Saudi Riyals (SAR 2,030,000). The Company objected to these penalties, and, as at the date of this Prospectus, the Company has not received a response from the Royal Commission regarding its objections to them. Overall, the Company was able to object to a number of violation notices issued by the Commission in the three years preceding the date of this Prospectus and did not pay any fines to the Commission in such period. The Commission may not accept the justifications provided by the Group. The Company must pay the amount of these penalties if the Royal Commission does not approve these objections (with justification provided for its non-approval) or does not reduce these penalties. The Royal Commission may impose a delay penalty on the Company of (5%) of the penalty amount for each day of delay per violation if confirmed and verified. Furthermore, between 2019G and 2022G, the Royal Commission sent forty-two (42) notices to the Company regarding its non-compliance with environmental standards in its facilities in Jubail Industrial City and ten (10) notices regarding its non-compliance with environmental standards in its facilities in Yanbu. The Company sent clarifications to the Royal Commission in relation to the notices received, and the Royal Commission has not issued its decision in this respect as at the date of this Prospectus. The Royal Commission approved four (4) of the Company's objections, and the Company has not yet received a response regarding the remaining objections. If it is unable to comply with the environmental standards, the Group may face fines and penalties, as well as the withdrawal or non-renewal of its licenses. Hence, this would adversely and materially affect the Group's business, results of operations, financial position and future prospects and therefore the Company's share price.

It is also worth noting the request of the National Center for Environmental Compliance ("**NCEC**") (issued on 16/05/1443H (corresponding to 20/12/2021G)) for companies subject to WERA supervision (including the Group) to quickly submit plans to the NCEC to rectify their status before the corrective period expires on 02/12/1443H (corresponding to 01/07/2022G), in accordance with the provisions of the Environment Law and its implementing regulations. The Company sent a letter to WERA indicating that since its establishment, it has been following the environmental standards issued by the Royal Commission related to facilities undertaking power and co-generation works, and that the Company designed its plants in accordance with these standards. The Company also inquired about the competent environmental standard supervisory authority. On 02/11/1443H (corresponding to 01/06/2022G), WERA sent a letter to the Company stating that the Ministry of Environment, Water and Agriculture (MEWA), represented by the NCEC, is the competent authority for supervising environmental standards and ensuring that the Company adheres to these standards in the industrial cities of the Royal Commission based on the Environment Law. The Company has assessed these requirements and the extent to which they differ from the Royal Commission's environmental requirements and standards and found a discrepancy in some standards related to wastewater treatment specifications, which may cause the Company to implement corrective measures, which could result in high costs to comply with the environmental standards stipulated in the Environment Law, as well as the possibility of the NCEC imposing fines on the Group if the Company is unable to take corrective actions within the specified period and any extension thereof.

MEWA also sent a letter to the Company confirming that it is the authority concerned with monitoring water quality for urban use in the industrial cities of Jubail and Yanbu. The Ministry requested the Company to submit its views on the guidelines for sewage wastewater and treated water quality control and another letter requesting the Company's views on the guidelines for potable water quality control. The Company responded to the two letters by stating that the Company, since its establishment, has followed the environmental standards of the Royal Commission with respect to water and sewage services. Accordingly, the Company has built treatment plants in line with those standards, and since there is a discrepancy between the standards of the Royal Commission and the standards that have been prepared by the water regulator, and since there are some standards and obligations that require significant and material amendments to the current treatment systems, the Company asked the Ministry to exempt it from complying with some of these standards. MEWA has not issued its decision in this regard. If MEWA decides that the Company must follow the standards it developed, the Company will have to make significant and material changes to its current water treatment systems, which will result in the Company incurring significant costs to comply with those standards. The Company is currently assessing those costs and the amounts that may be incurred in order to meet these standards.

Furthermore, on 14/03/2022G, the Saudi Energy Efficiency Center sent a letter to the Company indicating that it is working with the Company to collect data, determine performance levels, identify gaps and set energy efficiency targets for the Company's affiliated units and plants, as well as the Company's adherence to the targets and energy efficiency requirements. The Company is currently investigating this letter as well as its compatibility with the required performance levels. In the event that changes are required for some of the facilities to meet these standards, the Company may decide to shut down some facilities that require considerable costs to be incurred to effect such changes. As at the date of this Prospectus, the costs that the Company may incur as a result of this, as well as the appropriate compensation mechanism for such, have not been clarified.

In the event of the occurrence of any of these risks, this would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.10 Risks related to safety accidents and workplace errors at the Group's industrial facilities

The Group and its subsidiaries are subject to the Kingdom's safety and health laws (including the Royal Commission's environment laws and the High Commission for Industrial Security's security directives), which set various standards to regulate certain aspects of health, safety and security quality, as well as impose civil and criminal penalties and other obligations for any violation or breach. The use of high-voltage machinery and equipment used in the Group's business involves significant health and safety risks.

Workplace errors and potential health, safety and security events, such as fires, floods, explosions, light vehicle accidents, falls, personal injury and death, electric shock, equipment accidents and accidents involving the emissions of harmful gases or chemical substances, may have a material effect on the business of project companies. Employees may die or suffer serious injuries as a result of these or other factors.

The Group is committed to hiring highly qualified and experienced workers in the energy and water sector; however, its employees may make workplace mistakes while performing their jobs and professional duties that may result in material technical malfunctions in the Group's industrial facilities, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Although the Group is implementing safety standards in its properties and industrial facilities, including those that will be implemented in the industrial cities of Jubail, Yanbu, RIC, and JCPDI, in order to avoid any accidents that may occur in industrial facilities or accidents that may occur to the Group's workers or residents of residential neighbourhoods located near the Group's industrial facilities, in 2021G, one of the Group's facilities in Jubail witnessed the death of one of its employees, and another deadly incident took place at one of the Group's facilities in Yanbu, where another employee died. Although Marafiq complies with the relevant health and safety requirements, this does not necessarily mean that the Company will not incur legal liability in the future, which may expose the Group to risks related to compensation claims filed by the heirs of the deceased persons, in addition to the risks associated with the revocation of any of the Group's licenses in case of any health and safety standard compliance violations.

In addition, the relevant authorities could impose more stringent regulations, including health, safety and security regulations, than those imposed in the past, and may impose stricter standards or higher fines and penalties for violations in the future than those currently in place. The Group cannot estimate the future financial impact of the Group's and its subsidiaries' compliance with these regulations or the costs of non-compliance therewith.

The Group does not guarantee the prevention of any other accidents that may affect its properties, industrial facilities, employees or other persons, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.11 Risks related to joint venture partners and shareholder agreements concluded by the Company

The Company relies on joint investment and project partnerships to carry out some of its current and future projects, such as JWAP and Jeddah Althaniya. The Company may not have the right to fully control such projects or may not be able manage them in their entirety. As a result, such projects may not be carried out with the competence and effectiveness that the Company desires, or they may not be carried out in an optimal manner to serve the Group's best interests. There is no guarantee that the partners will act in a manner that serves the interests of the Group.

Furthermore, co-investments and joint ventures expose the Company to the usual risks associated with such arrangements, which include, but are not limited to, the risks of the Company's co-investors or partners violating regulations or failing to perform their obligations to the detriment of the Group. The Group's reputation may be adversely impacted if one of the partners violates local laws or the provisions of the shareholders' agreement. If the Company's partners fail to meet their funding commitments, the Company may be forced to make cash contributions. In the event that the Company breaches the terms of the shareholders' agreement, the Company may be obligated to purchase the shares of the remaining JWAP shareholders under the terms of the shareholders' agreement, which could result in the Company incurring significant costs.

In the event that any of these risks occur, it could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

On 20 December 2006G, the Company entered into a shareholders' agreement for JWAP with the Public Investment Fund, the Saudi Electricity Company and SGA Marafiq Holdings. For further details, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus. Pursuant to the terms of this shareholders' agreement, the shareholders of JWAP shall be subject to share transfer restrictions. The Company may transfer its shares only if required by law, by order of a governmental body with judicial jurisdiction, in connection with the creation or enforcement of encumbrances or pledges on the relevant shares to guarantee indebtedness in accordance with the financing documents, to SGA Marafiq Holdings or to any Marafiq affiliate. As a result, there is a risk that the Group will be unable to obtain approval to sell its stake in JWAP when it determines that doing so is economically advantageous or necessary. This may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The shareholders' agreement for JWAP, in which the Group has actual ownership of 30%, includes some aspects that require the unanimous approval of shareholders or Board Members for decisions on these aspects to be valid. However, these aspects are not included in the bylaws of JWAP, which may prevent the Group from implementing the shareholders' agreements' provisions in this regard. In violation of the agreement, the majority shareholders of JWAP may make decisions without seeking approval from the Company. There is a risk that the Kingdom's competent courts may not enforce these rights, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.12 Risks related to the Group's inability to commence operation of its projects as planned and within the project time limit

As at the date of this Prospectus, the Company is completing construction work for several projects, including the expansion of sanitary and industrial wastewater plants in Jubail Industrial City and Jeddah Althaniya. It should be noted that there is a delay in completing the construction works related to the Jeddah Althaniya project due to the contractor's delay, which may lead to the inability to operate the project on the expected COD. This may result in a breach of agreements. The Group may fail to start the operation of such current or future projects or experience a delay in doing so because certain requirements must be met, including obtaining the necessary financing or preparing infrastructure, which depends on the contractors appointed by the Company, in addition to other factors involved in project construction work which are beyond the Company's control. There is no guarantee that they will be generally operated in accordance with their original plans, especially since the implementation or construction of some projects depends on third-party services that are beyond the Company's control. Delays or failures to operate such projects in general due to delays in implementation or construction by third parties, or for any other reason, may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.13 Risks related to the Company's inability to achieve its objectives or strategies or make use of growth opportunities

The Company sets a number of operational business goals and strategies, but there is no guarantee that the Company will meet its objectives. The Group may be unable to capitalize on growth opportunities in the water and energy sectors in general. This includes the ability to expand the Company's business because the Company's ability to achieve its goals or strategies or capitalize on growth opportunities is dependent on factors beyond the Company's control. Such factors include, but are not limited to, economic and political factors in the Kingdom in general, as well as other factors that may directly affect the Group, for example, risks associated with obtaining regulatory approvals, the Company's inability to compete with other active enterprises in the industry, and the Company's high operating and production costs. Furthermore, the Group's facilities' production capacity may be impacted during the expansion process, affecting the Company's ability to meet the needs of current customers, which is a priority.

Article (49) of the Water Law and Article (13(4)) of the Electricity Law require licensees to obtain the approval of the regulatory authority (MEWA and the WERA) before merging with or acquiring the majority of the shares or assets of another person. The Company may be unable to obtain the necessary approvals from such authorities when it wishes to conclude a commercial transaction of this type as part of achieving its objectives or strategies or taking advantage of growth opportunities. The occurrence of any of these risks may have an immediate or indirect impact on the Group's ability to generate profits for its shareholders, which could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Apart from the foregoing, the Company's main objective, as stated in its Bylaws, is to provide the necessary services for industrial, commercial and residential facilities. As a result, the Group's operational business is currently concentrated primarily in industrial cities. This may result in a number of risks, such as the Company's inability to participate or invest in commercially viable investment opportunities in other cities in the Kingdom due to preoccupation with investment opportunities in the industrial cities of Jubail, Yanbu, Ras Al Khair and Jazan at the same time, or because the Company has to incur significant capital costs to meet the increased demand for its services in the industrial cities of Jubail and Yanbu to the extent that it cannot invest in other opportunities. The Group's operational expansion in other cities may contribute significantly to the Company's revenue growth. Accordingly, the Company's inability to achieve all or some of its goals or its failure to capitalize on growth opportunities as a result of giving priority to business in specific geographic areas may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.14 Risks related to the Group's inability to develop or acquire new technologies or services

The Group's growth is dependent on its ability to continue developing or acquiring new technologies, services and solutions, as well as adapting its business to meet the needs of its customers, among other factors. These factors include its ability to innovate and develop new technologies, adapt its services and solutions to meet the needs of the targeted customers, identify emerging technological and other trends related to the targeted customers, develop or acquire competitive and innovative technologies and services, particularly in the digital sphere and bring them to market quickly and cost-effectively. In particular, the Group's customers require a great degree of efficiency in all services provided to them, as well as digital capabilities to monitor and manage these services. If the Group is unable to meet the aspirations of its customers or provide excellent products, services and solutions, or encounters significant delays in the development of new technologies and digital offerings, the Group may lose key customers or future offers and opportunities, which could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.15 Risks related to the failure to achieve the expected production levels of the Group's facilities

In coordination with the Royal Commission and other relevant authorities, the Group forecasts its business operation production levels in terms of generating the expected profits. Profits may generally fall due to issues related to the specifications of such facilities, such as available production capacity, failure of the main equipment and unplanned shutdown or stoppage of the plant. This may result in the failure to operate such plants in a way that ensures they meet the planned or required production levels. The Company does not guarantee the quality of the water it produces and quality-controls to meet its customers' quality requirements. Customers may refuse to receive produced water if it does not meet their quality requirements. As a result, the Company would discharge the produced quantities that do not meet the quality requirements and replace them to meet its contractual obligations, potentially affecting production levels. This may lead to a decrease in the Company's profits, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Furthermore, the Company does not guarantee that the performance of some or all of the Group's industrial facilities will be at the required level, which may result in the Group failing to meet the required production levels and breaching its contractual obligations with the contractors. This may result in the termination of such contracts or the imposition of penalties against the Company, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.16 Risks related to the Group's ability to accurately predict the amount of demand for its services

The Group conducts the necessary studies to anticipate demand for the services it provides. If such expectations do not match actual demand, it may result in high costs and a decrease in the operational efficiency of the Group and its industrial facilities as a result of excess production or an inability to meet demand. For example, due to a lack of customers in RIC and JCPDI, the second and third amendments to the RC Master Lease stipulate that the Company shall not make any rental payments for the assets for a period of five (5) years beginning on the date the amendments to the lease are signed. This is to guarantee that there is sufficient demand for its services, which is necessary to ensure cash flows from the Company's customers. This exemption, however, does not apply to the rental payments due for the lease of the land. There is no guarantee that the number of customers will increase five (5) years after the lease was signed. The Group may incur losses as a result of insufficient cash flows to cover rental costs. For more information about the second amendment to the RC Master Lease, please refer to Table 12.40 ("**Summary of the Group's Lease Agreements**") of this Prospectus. Due to a lack of demand, the potable water sector in Yanbu also records losses when compared to Jubail, contributing to a CAGR decrease of 4.0%, from SAR 264 million in the financial year ended 2019G to SAR 243 million in the financial year ended 2021G.

In addition to the foregoing, the Company requested from the Royal Commission that the rental value of the assets be linked to the commercial operating ratios specified in the RC Master Lease. The Royal Commission approved this request in a letter to the Company, indicating that the asset invoices would be claimed based on the commercial operating ratios. Despite the Royal Commission's approval of the Company's request, there is no guarantee that the Royal Commission and the Company will agree on the commercial operation ratios and the amounts that will be deducted from the asset rental payments.

In the event that any of these risks occur, it could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.17 Risks related to the Group's dependency on a number of key industrial customers and on the JWAP project to achieve its revenues

The Group relies heavily on a number of major industrial sector customers to generate revenue. The majority of the Group's revenues from utility user agreements (which are subject to tariffs determined by regulatory authorities) are generated by the Company's ten largest customers (for more information on the utility user agreements and the Group's top ten customers, please refer to Section 12.6.1.1 ("**Utility User Agreements**")). According to the consolidated financial statements, they collectively account for approximately 27.6%, 27.3%, 27.7% and 27.7% of the Group's total revenue for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G, respectively. Furthermore, the Group's gross profit was historically heavily reliant on revenues generated by projects related to both Sadara and JWAP (please refer to Section 12.6 ("**Material Agreements**")). In the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G, revenues from such projects accounted for 42.8%, 42.9%, 42.1% and 42.19% of total revenue for the Group, respectively. Such projects are subject to profitable tariff arrangements (given that they are not subject to tariffs set by the regulatory authority). There is no guarantee that all such agreements will be renewed after they expire or that new agreements will be concluded. As a result, the Group will be materially and adversely affected if any of its key customers fail to meet their contractual obligations, or if such customers' demand for power and water services falls or if any of the Company's industrial customers leave the industrial cities in which the Company operates. This would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

In the same sense, the sales of JWAP Company, one of the Company's Subsidiaries, relies heavily on the Power and Water Purchase Agreement ("**PWPA**") with Tawreed (wholly owned by the Company). According to this agreement, Tawreed purchases all of JWAP's power and water production capacity in order to sell it completely to a number of customers under the Power and Water On-Sale Agreement (the "**On-Sale Agreement**"). Customers include the SEC, Marafiq and the SWCC. If any of the key customers of Tawreed fail to comply with or terminate any of the agreements concluded for the purchase of this power and water production capacity, this could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. For more information about both the PWPA and the On-Sale Agreement entered into by Tawreed, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus.

2.1.18 Risks related to the Group's reliance on a single gas and fuel supplier

In its operational business activities, the Group relies on Saudi Aramco, the Kingdom's sole supplier of gas and fuel, which may expose the Group to a number of risks, including the supplier being affected by global fuel market conditions, political risks and sabotage acts that oil and industrial facilities may be subject to and technical malfunctions. This may affect the Group's supply of gas and fuel, which could have a material adverse effect on the Group's business, results of operations, financial position or future prospects. For more information about the gas and fuel supply agreements entered into with Saudi Aramco, please refer to Section 12.6 ("**Material Agreements**") of this Prospectus.

Given that Saudi Aramco is the only supplier in the Kingdom and that fuel prices and availability are determined by government prices and general availability, the supply agreements that the Group must enter into in order to obtain the quantities of fuel required to operate its plants may impose terms and conditions that are unfair to the Group. Some terms of the fuel supply agreements, for example, state that the supply of fuel is subject to its availability at Saudi Aramco, and that Saudi Aramco shall not be held liable if the agreed-upon quantities of fuel are not provided. For example, Saudi Aramco has not supplied the Company's Yanbu plants (Yanbu 2 plants) with the agreed-upon fuel (heavy fuel oil) since 2016G, despite the fact that the agreement expressly states that Saudi Aramco shall supply the Company with heavy fuel oil unless it is unavailable. In this case, the agreement requires Saudi Aramco to supply the Company with Arab Light oil until Saudi Aramco can supply heavy fuel oil. As a result, the Company has incurred an additional cost of one hundred million Saudi Riyals (SAR 100,000,000) per year, in addition to additional operating and maintenance costs and a reduced storage capacity for Arab Light oil (as the majority of the storage capacity was built for heavy fuel oil), which affects the Company's operations and leads to additional risks associated with the Company's inability to meet the relevant production requirements. This may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. The Company sent several letters to Saudi Aramco in this regard, but the fuel required for such plants has not been delivered as at the date of this Prospectus.

The Group's reliance on a single gas and fuel supplier may expose it to difficulties related to its inability to obtain competitive prices for gas and fuel if the prices of gas and fuel supplied to the Company by Saudi Aramco rise, or in the event that agreements entered into with Saudi Aramco are terminated due to the Company or any of its Subsidiaries failing to meet their obligations under such agreements, or for any other reason. Consequently, the Company would be unable to provide the required quantities of fuel. This could have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.19 Risks related to the COVID-19 pandemic

Although the Group's businesses have not been as negatively affected as other sectors, the coronavirus (COVID-19) pandemic has created economic and financial disruptions globally and has led governmental authorities to take unprecedented measures to mitigate the spread of the disease, including travel bans, border closings, business closures, quarantines and shelter-in-place orders, and to take actions designed to stabilize markets and promote economic growth.

While the Group has adopted preventive measures and implemented contingency plans and most of its employees are now back working in its offices, the Group cannot provide any assurance that the measures taken will adequately protect its business, and an extended period of remote work arrangements or any other measures to counter the spread of COVID-19 in the future may increase existing or create new risks, including, but not limited to, cybersecurity risks, and could place stress on the Group's technological resources and business continuity plans. If one or more of the third-party vendors to whom the Group outsources certain material activities claim that they cannot perform due to force majeure or experience operational failures as a result of the COVID-19 pandemic, it could have a material adverse effect on the Group's business, results of operations, financial position and future prospects. Furthermore, the further spread of COVID-19 could impact the availability of the Group's Senior Executives and other key employees who are necessary to conduct the Group's business.

The extent of the impact of the COVID-19 pandemic on the Group's business, results of operations, financial position and future prospects will depend largely on future developments, including, amongst other things, the widespread distribution, acceptance and effectiveness of one of more vaccines. A prolonged and sustained economic downturn could have an adverse effect on the Group's revenues related to certain activities. The COVID-19 pandemic could also have an adverse impact on the Group's customers' businesses and ability to trade, and the resulting impact on the Group's business will depend on future developments, which are highly uncertain and cannot be predicted.

While governmental organizations are engaging in efforts to combat the spread and severity of COVID-19, these measures may not be effective as expected. Moreover, actions taken by governmental authorities that are intended to improve the macroeconomic or other effects of COVID-19, may in the future result in regulatory uncertainty and could in turn impact the Group's business. At this time, the Company cannot predict how regulatory measures concerning COVID-19 will impact the Group's business.

2.1.20 Risks related to terms and conditions of termination contained in the material agreements entered into by the Group

The Group has entered into a number of material agreements (please refer to Section 12.6 ("**Material Agreements**") of this Prospectus for a summary of those agreements). The contracting parties have the right to terminate those agreements in accordance with the termination terms contained therein, or in the event of a violation by the Company or any of its Subsidiaries, if such violations are not rectified within the agreed upon rectification periods. It should be noted that there are termination cases that are beyond the Group's control. For example, a change in the relevant regulations that adversely affects the parties' obligations, the occurrence of a persistent force majeure event for a specified period and termination as a result of increased costs that are beyond the parties' control or as a result of the plant incurring a significant loss due to damage to its assets. All of these cases are beyond the Group's control and may result in the termination of the relevant agreements, and will therefore have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. Please refer to Section 12.6 ("**Material Agreements**") of this Prospectus for a summary of those agreements, including the most important clauses regarding termination, liabilities and responsibilities of the parties.

2.1.21 Risks associated with competition with other service providers in the four industrial cities

Since its incorporation, the Company has been the sole licensee to provide services in the industrial cities of Jubail and Yanbu. However, neither COM No. 57, the Water Law, the Electricity Law nor the RC Master Lease state that the Company has the exclusive right to provide services in the four industrial cities covered by the Royal Commission. As a result, any qualified entity may apply for a license with the Royal Commission to provide the same services as those offered by the Group in the four industrial cities. Although the Group and its Subsidiaries are currently the only entities licensed to provide such services (with the exception of the sale of electricity in Jubail and Ras al-Khair, which is provided by the SEC), others may enter the sector and compete with the Group.

Over the last twenty years, the Kingdom's water and electricity sectors, in particular, have undergone significant restructuring to encourage greater private sector participation in the production and distribution of water and electricity services. As a result, some private enterprises have acquired independent water and energy production projects and then sold them to the main buyer to meet the desalinated water and electricity needs of citizens and commercial and industrial facilities in the Kingdom. If competitors enter the Group's market, the Group may lose a significant portion of its business if it is unable to compete effectively, or profit margins may decline if the Group lowers its prices in response to the competitors' entry. Some competitors' profit margins may be high in businesses in which the Group is currently not involved, which may enable them to implement their strategies. Such competition may result in a loss and a decrease in revenue and will consequently have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

If a reputable entity were able to obtain the necessary licenses from the Royal Commission and other relevant regulators to begin operations in the four industrial cities, it would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.22 Risks related to Management's insufficient experience in managing a publicly listed company

Some of the Company's Senior Executives may have limited experience in managing listed joint stock companies in the Kingdom of Saudi Arabia and complying with the laws and regulations pertaining to such companies. In particular, the internal and/or external training that the Senior Executives will receive in managing a Saudi Arabian publicly listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day-to-day management of the Group. Non-compliance with the regulations and disclosure requirements imposed on listed companies may expose the Company to regulatory sanctions and fines and public censure and could therefore have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.23 Risks related to the Group's reliance on key personnel

The Group relies on the competence and expertise of its Senior Executives and other key personnel to manage and operate its business. However, there is no assurance that all or some of these will stay with the Group. Leaving the Group could be caused either through recruitment by other competing companies or otherwise. If the Group is unable to maintain its current executive management or key staff, or attract new staff, this may have an adverse effect on the Group's revenues, profits and results of operations. In addition, the Group's future success depends heavily on its continued ability to attract and maintain highly skilled and qualified staff. The Group's inability to meet future recruitment requirements may result in high costs, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.24 Risks related to Corporate Governance

The Board approved an internal Corporate Governance Manual on 24/10/1443H (corresponding to 25/05/2022G). The manual includes rules and procedures related to corporate governance in accordance with the Corporate Governance Regulations issued by the CMA. The Company's success in the proper implementation of the corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and the proper execution of such rules and procedures by the Board, its Committees and Senior Executives, especially with regards to the formation of the Board and its Committees, independence requirements, rules related to conflicts of interest and Related Party transactions.

The Corporate Governance Regulations impose various mandatory requirements on the Company, including the adoption of certain corporate governance policies and procedures. Failure to comply with the governance rules, especially the mandatory rules in the Corporate Governance Regulations, could expose the Company to regulatory penalties and could adversely and materially affect the Group's business, financial position, results of operations or future prospects, and therefore the Company's share price.

The Company's Extraordinary General Assembly formed the Audit Committee, consisting of three non-executive members, on 03/11/1443H (corresponding to 02/06/2022G). The Board re-formed the Nomination and Remuneration Committee and the Executive and Risk Management Committee on 11/10/1443H (corresponding to 12/05/2022G) (refer to Section 5.8 ("**Board Committees and their Responsibilities**")). Failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interests of the Company and its shareholders may affect corporate governance compliance, the ongoing disclosure requirements and the Board's ability to monitor the Company's business through these Committees, which would have a material adverse effect on the Group's business, financial position, results of operations or future prospects, and therefore the Company's share price.

2.1.25 Risks related to competition of Directors and Executives with the Company's business or activities

The Company's Directors and its Senior Executives are subject to the provisions of the Companies Law and its implementing regulations, which require Directors and its Executive Management to obtain authorization from the Company's General Assembly if they engage in any business that competes with the Company or one of its branches of activity. Given that the Directors and Substantial Shareholders of the Company who have representatives on the Company's Board of Directors are associated with the sector in which the Group operates, conflicts of interest or competition with the Company may arise from time to time, necessitating the approval of the General Assembly under the provisions of Article (72) of the Companies Law. Although there are no such cases as at the date of this Prospectus, if a Director engages in any business that competes with the Company's business and activities without the approval of the Company's General Assembly, this may allow such Director to use confidential internal information relating to the Company for their own benefit and the benefit of their competing activity, harming the Company's interests, including damaging its reputation and disclosing confidential information, which may have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

It should be noted that, as at the date of this Prospectus, the Company is not aware of any activities of its Directors that could compete with its activities and business. Furthermore, none of the current members of Board of Directors or Executive Management have requested approval from the General Assembly for any work or contracts involving their participation in the Company's business or activities. It should be noted, however, that the Director Mr. Musaad Ahmed Abdullah Al-Sayouhi, in his capacity as a director representing Saudi Aramco Power Company (a direct shareholder in the Company that owns 24.81% of the Company's share capital pre-Offering), is currently working as an employee (auditor) for Saudi Aramco (an indirect shareholder in the company with a total ownership percentage of 42.18% of its capital as at the date of this Prospectus), which is engaged in businesses through its subsidiaries that could compete with the Company and its Subsidiaries. However, this relationship is not considered engaging in a business that could compete with the Company since, prior to the Offering, Saudi Aramco is considered one of the Company's affiliates according to Article 47 of the CGRs (which excludes members who are directors or who occupy managerial positions in another company that competes with the Company from the scope of engaging in businesses that could compete with the Company if said other company is an affiliate of the Company). Furthermore, the position of a director in Saudi Aramco is not a managerial position. The Director Mr. Musaad Ahmed Abdullah Al-Sayouhi is a representative of Saudi Aramco Power Company, which owns a controlling interest in some companies that may compete with Marafiq. However, we do not believe that this is an activity that could compete with the Company, given that Article 47 of the CGRs does not include representing a shareholder that engages in an activity that could compete with the Company or with one of the activities that it indirectly engages in. Furthermore, the relevant Director does not have any personal interest in the related subsidiaries of Saudi Aramco Power Company. However, the Board will review this relationship with said Director after the Offering to determine the applicability of the provisions of Article (72) of the Companies Law and comply with its procedures, in addition to the relevant articles in the CGRs and, if necessary, obtain the required approvals.

2.1.26 Risks related to working capital

The Group maintains sufficient cash flow to cover its short-term debts and operating costs. The Group's reliance on loans to finance working capital carries the risks related to finding easier credit terms. If the economic climate becomes less favourable, the Group may face stricter credit terms or be denied much-needed loans, as well as a decrease in the value of shareholder loan guarantees, which can harm the Group's credit rating, thereby increasing the difficulty of obtaining financing, and this would have a material adverse effect on the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.27 Risks related to IT and cybersecurity

The Group is reliant on the uninterrupted operation of its IT technical infrastructure, which consists of a complex and sophisticated suite of computers, communication systems, supervisory monitoring and control systems, data processing systems and data acquisition and monitoring systems. If the Group's IT infrastructure, including support, backups and service recovery procedures, fails or is disrupted for any reason, such failures or disruptions may lead to a significant increase in costs (e.g., repair costs) with a marked reduction in the available production capacity, actual production and important data in the Group or its Subsidiaries, which, in turn, may result in losses for the Group and its Subsidiaries.

The systems and electronically stored information can be susceptible to malware, pirating, cybercrime and other similar disruptions caused by unauthorized use of such systems, which may result in the loss of important data. The Group may be unable to develop or acquire competitive technology capable of meeting the Group's business requirements. Furthermore, the Group may lack sufficient resources to invest in technology that will allow it to compete and efficiently protect information and operating systems, which could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.28 Risks related to Zakat claims

The Company is subject to the laws and regulations of the Zakat, Tax and Customs Authority (ZATCA), and the Group has submitted its Zakat and tax returns up through the end of 2021G. Accordingly, it has received Zakat certificates for these years. However, the Group has not obtained the final Zakat and tax assessments for all of these years (as described below), as its Zakat and tax returns for these years are still under review by ZATCA (taking into account the obsolescence periods according to the applicable laws and regulations). ZATCA may levy additional Zakat payments for years in which the assessment was not completed and the Company and its Subsidiaries' dues were not paid, which may result in higher Zakat payments than expected, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

In 2019G, ZATCA issued a letter to the Company confirming its approval of the Zakat returns submitted for the years 2007G until 2018G. The letter confirmed that the Company's position regarding Zakat returns for this period is considered to be final. ZATCA reserved the right to reopen the assessment in the event that new information emerges. In 2021G, ZATCA raised a Zakat assessment of the Company for the years 2015G, 2016G and 2017G in an amount of SAR 99.8 million in total. The Company objected to this amount in full before the Committee for the Settlement of Tax Violations and Disputes, which is looking into the matter as at the date of this Prospectus. It should be noted that the Company made no provisions for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. The Company shall bear such claims in the event that the objection does not succeed. Taking into account the limitation periods in accordance with the laws and regulations in force, the Company's Zakat assessments from its incorporation date until 2014G are considered closed. The Company has submitted its Zakat and tax returns until the end of 2021G and has obtained Zakat certificates for these years. However, the Company has not obtained the final Zakat and tax assessments for the years 2015G until 2021G. The Company shall bear any additional claims or assessments made by the ZATCA for such years in the event that it does not object to them successfully. JWAP has also obtained final Zakat and tax assessments from ZATCA for all financial years since its establishment until the financial year ended 31 December 2012G. The years 2013G to 2016G are considered closed due to the lapse of the limitation period. In 2021G, ZATCA submitted an assessment to JWAP for 2018G, demanding JWAP to pay a total of SAR 160.53 million in Zakat, income tax and withholding tax. JWAP objected to this amount in full before the Committee for the Settlement of Tax Violations and Disputes, and a settlement was agreed with the committee to reduce the claim to an amount of SAR 14.4 million. It should be noted that JWAP made no provision for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. JWAP has not obtained final assessments for the years 2017G and 2019G to 2021G. JWAP will bear any additional claims or assessments raised by ZATCA for such years in the event that it does not object to them successfully. Tawreed has obtained final Zakat and tax assessments from ZATCA for all financial years since its establishment until the financial year ended 31 December 2014G and the financial year ended 31 December 2017G. In 2021G, ZATCA's Zakat assessment of Tawreed for 2015G and 2016G was SAR 2.2 million in total. Tawreed objected to this amount in full before the Committee for the Settlement of Tax Violations and Disputes, which is looking into the matter as at the date of this Prospectus. It should be noted that Tawreed made no provision for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. Tawreed will bear such claims if it is unsuccessful in objecting to them. Tawreed has not obtained final assessments for 2018G to 2021G. Tawreed will bear any additional claims or assessments raised by the ZATCA for such years in the event that it does not object to them successfully. MaSa has not received final Zakat assessments since its establishment as at the date of this Prospectus, and there is currently no dispute between it and ZATCA. The Company's Zakat and tax provisions amounted to SAR 21,940,000, SAR 38,127,000 and SAR 41,636,000 for the years ended 31 December 2019G, 2020G and 2021G, respectively, in return for the amounts of Zakat and income that the Group did not object to. However, this provision is not sufficient to meet the Zakat and income obligations for the historical periods objected to and mentioned above.

If these companies are not successful in the appeal and reduction of ZATCA claims, they will bear the financing of these amounts, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.29 Risks related to the application of financial reporting standards

In line with the resolution of the Board of Directors of the Saudi Organization for Chartered and Professional Accountants (SOCPA), the Company has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and publications endorsed by SOCPA since 2017G. Since these accounting standards are issued or updated either by the International Accounting Standards Board (IASB) or by the board of directors of SOCPA, some of these publications or updates may have a material negative impact on the results of the Group's operations and its financial position.

2.1.30 Risks related to facilities and loan agreements, liquidity, access to additional loans and provision of guarantees, if required

The Group operates in a capital-intensive industry. As a result, massive capital investments are required to obtain or assist in financing its current or future projects, plants and assets, or expansions in existing projects or any refinancing operations for existing projects. Furthermore, capital investments are expected to reach SAR 3.2 billion during the period from 2022G to 2026G. The Group is primarily dependent on its ability to obtain commercial financing on competitive terms in comparison to the market. The Group's ability to obtain external financing and the costs associated with such financing, as well as its ability to obtain capital, are dependent on a number of factors, including general economic and market conditions, the availability of lending at banks and other financiers (such as local financial institutions and sovereign funds) and investor trust in the Group and its business success. In addition, all of the above factors may be adversely affected by the COVID-19 pandemic and its current repercussions (please refer to Section 2.1.19 ("**Risks related to the COVID-19 pandemic**"). If the Group is unable to obtain additional financing on favourable terms in the future, its financial performance, liquidity and ability to expand and provide necessary support to any of the Group's Subsidiaries, as needed, will suffer, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. The liquidity risk represents the possibility that the Group may be unable to meet its obligations when they become due, may be unable to restructure its loans or may be unable to meet its liquidity obligations except at a high cost. Although the Company is currently receiving and has previously received external financing, it may be unable to obtain additional financing or provide sufficient guarantees required by financiers in the future. For more information about the substantial financing obtained by the Group, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus.

Any company in the Group may be required to obtain financing to cover any increase in capital expenditure costs above the amount budgeted for such expenditures. If any of these companies is unable to obtain the additional financing, this would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Dividends and fees from Group companies, proceeds from new debts obtained, and proceeds from the provision of its services, as well as loan refinancing, are the Group's main sources of liquidity. If these financial sources are insufficient to cover debt obligations on time or to fund the Group's other long-term liquidity needs, and if the Group is unable to find alternative funding sources, the Group may enter into negotiations with its creditors to restructure some of the borrowing arrangements. There is no guarantee that the outcomes of the restructuring negotiations will be fruitful. If the Group is unable to secure the necessary liquidity, it may be forced to default on its debts and breach financing and other agreements, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The Group's financing arrangements, and those which it may enter into in the future, include numerous conditions, obligations and restrictions that may affect its ability to distribute dividends, dispose of assets and restructure its funds (including obtaining additional loans). In the event of a default under the financing arrangements, this could limit the Group's ability to distribute dividends to its shareholders, expose it to financiers' fines, accelerate repayment and require the Group to pay the full amounts financed, or enforce execution against the Group's assets (noting that Marafiq mortgaged its Sadara plant assets, machinery and equipment (with a book value of SAR 4.805 million as at 31 March 2022G), as a guarantee for its Saudi Industrial Development Fund loans), which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. For more information about the substantial financing obtained by the Group, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus.

2.1.31 Risks related to the collection of receivables

The Group's business is dependent on its ability to collect its dues from customers on time in exchange for completed work. As at 31 December 2019G, 2020G and 2021G and 31 March 2022G, the debts payable to the Company whose due date exceeded one hundred and eighty-one (181) days and was less than a year amounted to 10.2%, 5.7%, 4.7% and 8.74% respectively, of the total debts owed to the Company, which are estimated at SAR 84,900,000, SAR 53,000,000, SAR 40,300,000 and SAR 64,254,819 respectively. In addition, the debts payable to the Company which are past due for more than one year amounted to 36.6%, 19.8%, 3.6% and 5.92% of the total outstanding debts as at 31 December 2019G, 2020G and 2021G and 31 March 2022G, respectively. Although the Group applies the expected credit losses practices stipulated in the IFRS regarding the provisions for doubtful debts, which amounted to SAR 23.5 million, SAR 24.7 million, SAR 22.9 million and SAR 22.9 million as at 31 December 2019G, 2020G and 2021G and 31 March 2022G, respectively, which constitute 2.9%, 2.7%, 2.7% and 3.1% of the total outstanding debts, respectively, there is no guarantee that these provisions will be sufficient. In the event that the Group's debtors encounter difficulties in their operations and financial positions, this may also lead to the debtors' insolvency or declaration of bankruptcy. If any of these risks occur, it would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.32 Risks related to the price volatility of certain raw materials and power prices on the Group's costs

The Group is exposed to high risks with respect to the fluctuation in prices and availability of certain commodities such as chemicals, spare parts, fuel and gas supplied by the Saudi Government (for further details, please refer to Section 2.1.18 ("**Risks related to the Group's reliance on a single gas and fuel supplier**") of this Prospectus), which has a direct impact on the capital expenditures and costs incurred by the Group. If the Group is unable to address price fluctuations by continuously improving production processes and negotiating the prices of these products to reduce the Company's costs, these price fluctuations may have a negative impact on the costs paid by the Group, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The Group's operations are affected by the extent and speed with which it can overcome price and cost increases in raw materials, energy, transportation, and other cost components. The Group's ability to overcome these price increases for the key materials required to provide its services is dependent on competitive market conditions, the terms and conditions of its contracts with its suppliers and the pricing methods in the sector it works in.

The Group is also vulnerable to risks associated with its suppliers' supply chains, which it relies on for the production of commodities such as chemicals, spare parts and other items that have a direct impact on the Company's production. If the Group is unable to address the malfunction of its suppliers' supply chains or find alternative suppliers to supply the products required to carry out its activities, these factors could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. The Group cannot guarantee that fluctuations in raw material and energy prices, as well as supply chain failures, will not have an impact on the Group's profitability or cause losses. In the event of the occurrence of any of these risks, this would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.33 Risks related to seasonal factors in connection with the Group's revenues

The Group is vulnerable to revenue and profit seasonality due to availability, which is the primary driver of productivity revenues. Productivity requirements vary between winter (low season) and summer (high season) as the demand for energy and water is usually higher in the summer months. Accordingly, total revenue and profits tend to rise during the summer season, which usually occurs during the second and third quarters, when compared to the winter season, mainly due to higher productivity. As a result, the Company may face difficulty in planning its business as this may limit its ability to accurately forecast its future revenues or set an accurate budget for its operating costs, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.34 Risks related to interest rate fluctuations and hedging to compensate for price fluctuations

In accordance with the terms of the financing arrangements, the Group pays interest on the basis of approved interbank rates, such as SAIBOR (Saudi Arabian Interbank Offered Rate), in addition to a profit margin. Under most of the Group's financing arrangements, the Group or its Subsidiaries are required to fully or partially hedge their exposure to interest rate fluctuations during the operating period. The Group and its Subsidiaries are exposed to interest rate fluctuations with respect to their financing arrangements when their hedging arrangements expire, if the Group and its project companies are not protected from such fluctuations or if the Group and its Subsidiaries fail to successfully implement their strategies to mitigate interest rate risks. Neither the Group nor its Subsidiaries hedged interest rates, with the exception of JWAP. If the Group decides in the future to obtain protection or hedging arrangements, hedging may cost more for the Group, and some types of economic hedging activities may not meet the requirements of hedge accounting in accordance with the IFRS. This would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.1.35 Risks related to the Company's protection of its trademarks

The Group registered its trademark in the Kingdom, as it relies on it for the utility services it provides in the industrial cities in which it operates. Unlike JWAP, the Company's other Subsidiaries do not own any registered trademarks because they do not rely primarily on the trademarks registered in their names, due to the nature of their businesses, and because they do not need to register any trademarks in the Kingdom or abroad, as they are not highly dependent on them (for further details, please refer to Section 12.9 ("**Intangible Assets Owned by the Group**") of this Prospectus). If the Company is unable to register or renew its trademarks, or if an entity objects to the registration of trademarks in the future, this would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price. In the event of a violation of the intellectual property rights of the Company's trademarks, such as their use by third parties without a license or the failure of the competent authorities to protect them, the Company may be forced to engage in costly judicial proceedings, diverting the efforts of some of its employees away from carrying out their daily duties and responsibilities. Furthermore, as a result of any trademark dispute, the Group may be forced to enter into franchising or licensing agreements for any such trademarks, which may be on unfavourable terms to the Company or may not be possible at all. The occurrence of any of these risks would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.2 Risks Related to the Market, Sector and Regulatory Environment

2.2.1 Risks related to the regulatory environment and regulatory changes

The Group's activities and business in the Kingdom are subject to a number of laws and regulations, which are applied by a number of Government entities in accordance with Government policies and directives, including the Companies Law and the Foreign Investment Law (to which JWAP, Jeddah O&M, and Jeddah Project Company are subject due to the presence of foreign investments therein), as well as the Labor Law and the regulations, rules, laws and regulatory standards related to power and water services that the Group must comply with. Since the applicable laws in the Kingdom may change or be modified, compliance with these laws and regulations may result in the Group incurring additional costs or being subject to fines or penalties (which, in some cases, may amount to revoking the license granted to it by the competent authority) if no change is made in its business or services to comply with the requirements of these laws, resulting in additional unexpected costs, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

For example, in 1998G, a Royal Decree was issued requiring the rehabilitation of some water pipes due to potential damage that could lead to water pollution with asbestos fibers. The Company has appointed a contractor to comply with the Royal Decree and make the required rehabilitation of pipes and the Company incurred seventy million Saudi Riyals. As at the date of this Prospectus, the Company had completed approximately 70% of the rehabilitation work.

It should be noted that the Saudi Government plans to improve the quality of life and protect future generations in the Kingdom. This includes the Saudi Green Initiative, which will contribute to increasing reliance on clean energy, reducing carbon emissions, combating climate change and reaching carbon neutrality (net zero emissions) by 2060G. This will be achieved through several methods, including (1) establishing a platform for trading and exchanging carbon insurance and compensation in the MENA region, and (2) generating electricity from renewable energy sources such as solar or wind energy sources. The Kingdom's plans also include a strategy to reduce oil product consumption and encourage consumers to replace them with natural gas. In light of this, a number of laws, rules and regulations that apply to the Group and its subsidiaries and operations may be issued under such initiatives and strategies, the interpretation and implementation of which may involve ambiguity and varying degrees of inconsistency. In the event that a decision is issued obliging companies operating in the relevant sector (including the Group's companies) to follow certain procedures to comply with such regulations and resolutions, this may require additional expenses and costs. If the Government does not subsidize the costs related to implementing such procedures, the Company will bear considerable expenses to implement them, including making modifications to some of its plants and shutting down others. This may have an adverse effect on the revenues of the Group and its subsidiaries, increase its costs or liabilities, limit its ability to realize expansion plans or implement objectives, or result in the loss of licenses, which would adversely and materially affect the Group's business, results of operations, financial condition and future prospects and therefore the Company's share price.

Based on the continuous growth of the regulatory environment in the Kingdom of Saudi Arabia, a number of laws, rules and regulations that apply to the Group, its subsidiaries and its operations are new or constantly updated, as the Water Law and the Electricity Law entered into force on 09/11/1441H and 14/05/1442H, respectively. Given that these laws, rules and regulations are new, their interpretation and implementation may involve ambiguity and varying degrees of inconsistency. This may have a negative impact on the Group's and its Subsidiaries' revenues, increase its costs or liabilities, limit its ability to achieve expansion plans, implement objectives or result in the loss of licenses, which would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

The regulatory authorities for water, electricity, and co-production projects have changed over the years, with MEWA now in charge of the water sector and all related activities (except for seawater cooling and co-generation activities). Based on the Memorandum of Understanding concluded between MEWA and the MIMR, the Board of Directors of the Royal Commission ("**RC BOD**") has been authorized to monitor and regulate activities related to industrial water services in the four industrial cities (Jubail, Yanbu, RIC and JCPDI). Based on the foregoing, the Group was unable to obtain any clarification from the aforementioned authorities regarding how the RC BOD regulates industrial water services with respect to issuing the necessary licenses to provide industrial water treatment services, as well as to distribute and sell process water. Therefore, the Company did not obtain a license for the activities of industrial water treatment services and the distribution and sale of process water given that the regulators did not start issuing licenses related to these activities because of the change in laws, noting that the Company will continue to provide these services in accordance with COM No. 57 dated 28/03/1420H (for further details, please refer to Section 12.5 ("**Key Licenses and Approvals**") and Section 2.1.8 ("**Risks related to licensing, permits and corporate registration requirements**") of this Prospectus).

Furthermore, there is no specific law that governs seawater cooling activities. As a result, no licenses have been issued to the Company or its Subsidiaries to conduct these activities. In the event that new laws are enacted requiring the acquisition of specific licenses or the fulfilment of other requirements in order to carry out seawater cooling activities, this may result in the Company incurring additional expenses and costs to obtain said licenses and comply with the requirements related thereto. If the Company is unable to obtain the required license or is unable to renew or maintain any of the existing licenses on similar terms, this could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

Pursuant to Royal Decree No. 41156 dated 23/07/1440H, a Ministerial Committee for the Restructuring of the Power Sector was formed to restructure assets and activities related to the power sector in the Kingdom of Saudi Arabia. Although the Ministerial Committee assured the Group that it has no plans to make any decisions related to the Group's assets or activities at this time, or any decisions that may affect the listing of the Company's shares, the Company cannot guarantee that the Ministerial Committee will not make any future decisions that affect the Group's assets and/or operations in the power sector. If this occurs, it could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

According to COM No. (26) dated 08/02/1376H, the Royal Commission for Jubail and Yanbu requires the Company to pay a municipality fee of 2% of the electricity sales made since the beginning of 2003G. However, the Company has not paid such fee as at the date of this Prospectus because the ordinance states that a fee is to be collected from domestic electricity companies that provide electricity services in exchange for a tariff determined by such companies, which differs from the current situation in which the tariff is set by the government. In its capacity as an electricity service provider in Yanbu, the Company submitted a request to waive such fee because it could have a negative effect on the Company's financial position. Royal Decree No. (M/85) dated 24/05/1438H, cancelling said fee and exempting the SEC from paying the fees due, was issued. This decree, however, did not include an exemption for Marafiq from the applicable fees. As a result, Marafiq submitted a request to the Ministry of Energy to submit to His Majesty the King to consider issuing an order exempting Marafiq from such fee, just as the SEC was exempted, as this additional cost may result in a difference in the application of the tariff between the two industrial cities of Jubail and Yanbu. This, in turn, would have an impact on the investment environment in Yanbu (the city where Marafiq provides electricity services). It should be noted that the matter is still being studied as at the date of this Prospectus. In the event that Marafiq is not granted this exemption, it shall pay the fee due since 2003G, which is estimated at approximately SAR 300 million.

Before offering a portion of its shares for public subscription, the Company must also obtain approvals and/or no objections from a number of regulatory authorities. The Company has received letters from WERA, MEWA and the Royal Commission stating that they approved the offering of part of the Company's shares for public subscription on 29/05/1442H, 21/06/1443H and 14/08/1443H, respectively. On 07/02/1444H, the Company also received a letter from the MOE approving the Company's request to offer part of its shares for public subscription.

If the Group fails to comply with the applicable laws, rules, and regulations, as well as any future changes in the regulatory environment, particularly those affecting the Group's industry, the Group may face fines and penalties, which could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

2.2.2 Risks related to high operational and maintenance costs, Group product and service prices and industrial city water and electricity tariffs

The majority of the Group's revenues (excluding revenues from Sadara Company and the JWAP Project, which are not subject to tariffs set by regulatory authorities) are generated from operations in the water and electricity sectors that are subject to tariffs set by regulatory authorities and may not be appropriately adjusted in the future. The tariff imposed by the Group on its customers is subject to economic regulation because the Group is currently the sole supplier of water, electricity, and gas services in the four industrial cities, which are essential to the Group's customers. In particular, COM No. (57) states that services shall be provided to industrial beneficiaries in accordance with a tariff based on the commercial cost of services. The tariff imposed on electricity supply is determined and adjusted by the Board of the WERA. The regulatory functions will then be transferred to WERA. The Royal Commission will be responsible for determining the tariffs for industrial water services as at the date of this Prospectus. For more information about the regulatory authorities relevant to the sectors in which the Group operates, please refer to Section 12.5 ("**Key Licenses and Approvals**") of this Prospectus.

As at the date of this Prospectus, the tariffs imposed on the water and electricity services provided by the Company had not been adjusted in recent years. The Company is at risk of regulatory authorities failing to adjust and increase the tariff in proportion to the Group's costs, or at all, in the future. Decisions made by regulatory authorities regarding the determination of the tariff imposed by the Company on its customers may not serve the interests of the Group, which may result in a decrease in the Company's profitability or even loss. Under COM No. 57 issued on 28/03/1420H and other subsequent resolutions, Marafiq is responsible for providing consistent services in the industrial cities where it operates. As a result, it does not have the option to transfer operations or provide services only to customers who are not subject to the regulated tariff. The regulatory authorities may decide in the future to set the tariff at prices that do not support the Group's current or expected future profit margins, which could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

In addition, COM No. (111) dated 14/02/1443H set a reduced tariff for intensive electricity consumption. This tariff applies to certain enterprise categories that operate in qualified sectors and activities as determined by a new committee led by the MOE and comprised of the Ministry of Finance, WERA and the Local Content Authority (LCGBA) (it does not include the governmental and residential sectors, institutions, charities and cooperatives and private health enterprises and educational enterprises). The resolution also states that any shortfall in electricity sector income caused by the implementation of this intensive electricity consumption tariff will be compensated for through unqualified enterprises' consumption tariffs in the industrial, commercial, and agricultural sectors. As at the date of this Prospectus, the Company does not know how this tariff will be applied or how it will affect its financial position or unqualified customers. Based on the Company's preliminary assessment and the load factor criteria, the Company may face cash flow issues and reduced revenues totalling SAR 300 million per year if the full shortfall is not properly charged to non-qualified customers.

The Group's performance is dependent on its ability to maintain profitability by pricing its water and energy services and products appropriately, as well as its ability to raise product prices to cover any production or service cost increase, including any future rise in power or fuel prices. If operating and production costs rise and the Group is unable to raise the prices of its products and services to compensate, the Group's profits will suffer significantly. This could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

It should be noted that the Group has implemented numerous cost-cutting plans, but these plans may not have the desired results. If the expected outcomes of such plans are not realized, significant costs may be incurred. Also, the implementation of such plans may be more difficult than anticipated, and this could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

2.2.3 Risks related to non-compliance with Saudization and other Labor Law requirements

Compliance with Saudization requirements is a local regulatory requirement necessitating that all companies active in the Kingdom, including their subsidiaries, to employ, train, and maintain a certain number of Saudi nationals amongst their workforces. The percentage of Saudi employees varies on the basis of a company's activities. As at 31 March 2022G, the Saudization ratio of the Company was 82%, JWAP 67%, Tawreed 82% and MaSa 70%. This means that they comply with the relevant Saudization requirements, and each of these companies is categorized as Platinum. The Group companies have obtained the relevant certificates to this effect from MHRSD. For further details, please refer to Section 4.12.3 ("**Saudization**") of this Prospectus. However, this does not guarantee that the Group companies will continue to adhere to these requirements if the number of employees changes or if the regulatory authorities change the applicable requirements. The Group's failure to comply with the Saudization policies and percentages, as well as related government instructions, will result in penalties imposed by Government agencies, such as the suspension of work visa applications and other sanctions. This could adversely and materially affect the Group's business, results of operations, financial position, or future prospects, and therefore the Company's share price.

As at the date of this Prospectus, the Group has entered into three manpower supply agreements pursuant to which the Group is engaging 59 workers. The Company is required to continuously ensure that such workers are registered with MHRSD's Ajeer portal in order to avoid penalties for non-registration. The penalties for entities seconding foreign employees under their own sponsorship to another entity without an Ajeer notice include, for a first-time violating entity, a fine of SAR 25,000 for each employee working in violation of the law and a ban on recruiting foreigners for a period of one year. The penalties increase if the violation is repeated to include higher fines of up to SAR 100,000 for each employee working in violation of the law and a potential recruitment ban for two to five additional years, among other penalties. This could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

Furthermore, each Subsidiary is required to maintain employment policies and contracts which are consistent with the Labour Law and which are updated from time to time by MHRSD. The Group must ensure that its employment contracts are consistent with the Labour Law and the mandatory provisions required by it. It should be noted that the Group has not updated its employment contracts or included the mandatory Labour Law provisions. Furthermore, the Company's HR Policy Manual may not be entirely consistent with MHRSD template prescribed under the Labour Law. Noncompliance may result in the imposition of penalties and the termination of the relevant employment contracts under the provisions of the Labour Law. This could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

In addition, there can be no assurance that the Group will be able to provide the required workforce or recruit the required number of Saudi nationals and/or foreign workers that it requires for its business operations without incurring additional costs, which could have a material adverse effect on the Group's business, financial position, results of operations or future prospects, and therefore the Company's share price.

2.2.4 Risks related to legal disputes

Many aspects of the Group's business involve potential litigation risks. The Group may be subject to lawsuits brought by third parties, partners in subsidiaries and associate companies, suppliers, employees or regulatory authorities. The Group makes no guarantees about the final outcomes of these lawsuits or the amounts that may be incurred as a result of such lawsuits and judicial proceedings. As a result, any negative outcomes from such lawsuits and judicial proceedings could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and therefore the Company's share price.

In the four industrial cities where it operates, the Company and its Subsidiaries have contracts with a variety of third parties, including suppliers, buyers and industrial and urban customers. In general, there is a risk of disputes arising in connection with any of these agreements, such as the failure to provide the agreed-upon services or meet the performance measures specified in such agreements. The Group sells its services and products to a wide range of customers, including a large number of industrial enterprises. Therefore, the Group may face claims, suits and judicial and administrative proceedings as a result of liability arising from the provision of such services and products. In addition, as at 31 March 2022G, the Company had 1,405 employees, making it vulnerable to conflicts and potential labour complaints. If the Group is subject to any judicial or administrative action that results in any judgment or set of judgments against the Group, and such judgment or combined judgments entail substantial amounts of damages, this could have a material adverse effect on the Group's business, financial position, results of operations or future prospects, and therefore the Company's share price.

Such lawsuits and judicial proceedings may include, but are not limited to, violations or breaches of any of the applicable laws and regulations, including environmental laws and the Labour Law. The Group may be subject to significant liability under applicable laws and regulations, judicial or administrative resolutions or judgments, as well as rules and regulations issued by relevant regulatory authorities. The Group may incur significant expenses to defend itself against such claims.

It should be noted that, as at 09 August 2022G, the Company and its Subsidiaries were parties to eight non-material lawsuits that arose during the normal course of such companies' operations. Commercial and labour claims, as well as other lawsuits, are among them. Seven non-material lawsuits have been filed against the Company, with a total estimated value of SAR 4,161,695.86. There is one non-material labour lawsuit filed against MaSa for the termination of an employment contract with an estimated value of SAR 961,752. It should be noted that the Company made no provision for such cases and claims based on its analysis of the relevant issues and the risks associated with them, as well as the possibility of them being successful. For more information on lawsuits and claims, please refer to Section 12.10 ("**Claims and Litigation**") of this Prospectus.

Furthermore, there is a potential lawsuit between JWAP and Tawreed (subsidiaries of the Company) over a claim relating to a change of law under the PWPA entered into between them. JWAP has incurred additional costs as a result of High Commission for Industrial Security's directives requiring a number of companies in the sector in general, including JWAP, to install a seawater barrier. JWAP incurred approximately SAR 6,600,000 as a result and is seeking compensation from Tawreed for these additional expenses. However, Tawreed rejected this claim under the guidance of the three buyers who signed the PWPA on 06/04/2009G (Marafiq, Tawreed, SEC and SWCC). If no agreement or settlement is reached regarding this claim, both parties may litigate, which could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.2.5 Risks related to the Competition Law

The Competition Law seeks to protect fair competition in the Saudi markets and to promote and establish market rules and free and transparent prices. Pursuant to Article (7) of the Competition Law, entities participating in an economic concentration are required to notify the General Authority for Competition ("**GAC**") for approval of such concentration at least (90) days prior to completing the relevant transaction. The law defines "economic concentration" widely to capture, amongst other things, any full or partial transfer of ownership over shares or assets that would result in a change of control. The implementing regulations of the Competition Law set a new threshold with respect to transactions that require the approval of the GAC. If the total revenues of the entities involved in a merger or sale and purchase transaction exceed SAR 100 million, the relevant parties must apply to the GAC at least 90 days prior to completion of the transaction. The GAC issued some guidance on which entities should be taken into account when determining whether the aforementioned threshold has been exceeded. Effectively, the parties to the relevant transaction (along with any other entity controlled within their respective groups) should be considered. Given the size of the Group, any corporate transaction undertaken by the Company may trigger the SAR 100 million threshold and, as a result, such transaction may need to be filed with the GAC for approval. This is the case even if such transaction occurs outside the Kingdom and regardless of the size of the transaction.

Pursuant to the Competition Law, the GAC has a right to reject any such transaction if it deems it to be prejudicial to competition in the Kingdom. The GAC would have a period of 90 days to provide a response. If it is found that a filing was required and the parties move forward with the proposed transaction without seeking the GAC's approval, the GAC may impose a fine of (i) up to 10% of the annual sales in connection with the violation, or (ii) up to three times the amounts profited by the violator(s) as a result. Additionally, the GAC may require the violator(s) to take all necessary steps to rectify the violation, including unwinding the whole transaction, and a daily penalty fee of up to SAR 10,000 may be imposed until such rectification is completed.

In the event that the Group violates the provisions of the Competition Law (whether in relation to an acquisition notification or any other provision that applies to the Company's operations) and a judgment is issued against it with respect to such violation, the Company may be subject to significant fines at the discretion of the GAC. In addition, the GAC is entitled to request (in part or in full) suspension of the Company's activities temporarily or permanently in the case of repeated violations. Moreover, defending against such proceedings may be lengthy and costly to the Company. The occurrence of any of these risks would adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.2.6 Risks related to the local and regional economy

The Group's performance is highly dependent on the economic situation in the Kingdom. Despite the Government's recent policies and efforts to diversify sources of income, the oil sector continues to contribute a significant portion of the Kingdom of Saudi Arabia's GDP. Future fluctuations in oil prices may have a negative impact on the Kingdom's economy and the government's balance sheet. Oil price fluctuations, particularly a substantial and significant drop in prices, may have a direct impact on the Kingdom's economic activity, including the water, electricity and gas sectors in which the Group operates. For example, the Government may cut costs and expenses. Furthermore, the Kingdom's economic growth rate has slowed in recent years, and the Kingdom is facing challenges related to relatively high rates of population growth. In the event of future changes in the economy, market or political conditions, this could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

Furthermore, changes in macroeconomic factors or indicators in the Kingdom, such as economic growth, currency exchange rates, interest rates, inflation rates, wage levels, the volume of foreign investment and global trade, could adversely and materially affect the Group's business, results of operations, financial position or future prospects, and therefore the Company's share price.

2.2.7 Risks related to the impact of political risks on the Group's operations

The Group's operations are concentrated in the Kingdom, so the Company's financial performance depends on the economic and political conditions prevailing in the Kingdom as well as the global economic and political conditions that in turn affect the Kingdom's economy.

Many countries in the Middle East are currently experiencing political or security instability. There is no assurance that political developments in these countries, or economic conditions in those countries or in other countries will not adversely affect the Kingdom's economy, foreign direct investments or financial markets in the Kingdom in general. There is also no assurance that these factors will not have an adverse and material impact on the Group's business, financial position, results of operations or future prospects, and, consequently, on the Company's share price.

2.3 Risks Related to the Offer Shares

2.3.1 Risks related to effective control by the Current Shareholders

Following completion of the Offering, the current Substantial Shareholders (directly or indirectly) are expected to hold at least 70% of the issued shares. Therefore, the Substantial Shareholders shall be able to influence all matters and decisions requiring the approval of the shareholders including the election of the Directors, approval of contracts, important Group activities, distribution of dividends and amendments that might be made to the Group's share capital and Bylaws. In addition, the Substantial Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Group's other shareholders. As a result, the Substantial Shareholders might exercise their rights in a way that may not be in the best interest of other shareholders or that may have an adverse and material impact on the Group's business, financial position, results of operations or future prospects, and consequently, on the Company's share price.

2.3.2 Risks related to liquidity and the absence of a prior market for the Shares

There has been no previous public market for offering or trading the Shares, and there can be no assurance that an active and liquid market for the shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares would be adversely affected or it may result in the loss of all or a portion of the investment made by any investor in the Group, which would adversely and materially affect their anticipated returns.

Several factors such as the Group's financial results, general circumstances, the health of the general economy and the regulatory environment in which the Group operates may result in a significant variation in the liquidity of Share trading and the Share price.

2.3.3 Risks related to potential fluctuations in the market price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Group, the prospects for the Group's business, the industry in which it operates, the markets in which it competes and an assessment of the Group's management, operations and financial results. Following completion of the Offering, the Offer Price may not be equal to the price at which the shares will be traded. Investors may not be able to resell the Offer Shares at or above the Offer Price, or investors may not be able to sell them at all.

The stock market in general experiences extreme price and volume fluctuations from time to time. Market fluctuations could result in extreme volatility in the price of the shares, which could cause a decline in the value of the shares, with price volatility being worse if the trading volume of the shares is low. The price of the shares may be negatively affected by various factors, including the Group's performance and anticipated results of operations, departures of key personnel, changes in earnings estimates or forecasts or the materialization of any of the other risks described in this section, or by the general situation of the Saudi Arabian economy, changes in applicable laws and regulations, terrorist acts, escalation of hostilities, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on any investor's anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.4 Risks related to the sale of a large number of shares post-Offering

The sale of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a six-month Lock-up Period starting from the commencement of trading of the shares on the Exchange, during which they may not dispose of any shares that they own. In addition, from time to time, Substantial Shareholders may mortgage their shares to obtain financing for the day-to-day functioning of their activities. The sale of a large number of shares by any of the Substantial Shareholders after the end of the six-month Lock-up Period or their violation of the provisions of financing agreements will result in the financiers selling the mortgaged shares, resulting in the shareholder's exit from the Company. If any of this occurs, it may have an adverse and material impact on the expected returns of any investor, or may result in a full or partial loss of their investments in the Company.

2.3.5 Risks related to the Company's ability to distribute dividends

The distribution of dividends by the Company depends on a number of factors, including future profits, financial position, capital and regular reserve requirements, the amount of distributable reserves, the Company's available credit, general economic conditions and other factors that the Directors view as important from time to time. As a result, the Company's ability to pay dividends in the future may be limited. If the Company does not pay dividends, the shareholders may not receive any return on their investment in the shares unless they sell their shares at a price higher than the price at the time of their purchase, which would have a material adverse effect on any investor's anticipated returns. For more information regarding the Company's dividend policy, please refer to Section 7 ("**Dividend Distribution Policy**").

2.3.6 Risks related to the issuance of new shares post-Offering

If the Company decides to raise additional capital by issuing new shares, this will result in a lower ownership ratio of the Company's shareholders if they do not subscribe to the new shares issued at the time, which could have an adverse and material impact on the expected returns of Subscribers.

2.3.7 Risks related to research published about the Company

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Group and its business, the market price of the shares may decline. The trading price and volume of the shares will depend in part on the research that securities or industry analysts publish about the Group and its business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers the Group downgrades their recommendations on the shares or publishes inaccurate or unfavourable research about the Group's business, the market price for the shares could decline. In addition, if one or more research analysts cease coverage of the Group or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price for the shares to decline significantly.

3. Market and Industry Data

3.1 Introduction

The information in this report is an independent market study developed by London Economics exclusively for the company of Marafiq (the Company). The Company has contracted London Economics to develop a market study covering the desalinated water, seawater, wastewater, gas, and electricity industries in Saudi Arabia and the economic prospects of the Company in the context of the Company's Initial Public Offering (IPO) on the Saudi Stock Exchange (Tadawul).

London Economics is one of the world's leading specialist economics consultancies. London Economics advises an international client base on economic and financial analysis, energy, litigation, policy development and evaluation, business strategy, and regulatory and competition policy. London Economics' regulatory and transaction advisory consultants have substantial experience in the electricity and water sectors in the Middle East and internationally. For further information, please visit www.londoneconomics.co.uk.

London Economics has given its written approval on the use of its name, the market information and data provided to the Company as shown in this document and such approval has not been withdrawn as at the date of this prospectus. Neither London Economics nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its affiliates or related parties.

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3.2 The economy of Saudi Arabia

3.2.1 Macroeconomic overview

3.2.1.1 Economic performance and growth

Overall, the performance of the Company will broadly be expected to correlate with macro-economic conditions in the Kingdom of Saudi Arabia (KSA).

Saudi Arabia had a Gross Domestic Product (GDP) of SAR 3,126 billion (b) in 2021G, and, according to World Bank data, is the 20th largest economy in the world, and is the largest in the Gulf Cooperation Council (GCC) region. Between 2017G and 2021G, Saudi Arabia's economy grew at an average rate of 5.96% per year. In 2020G, the economy contracted by over 12% according to the Saudi Central Bank (SAMA). This was due to the COVID-19 lockdowns which stifled economic activity in Saudi Arabia and worldwide. Other countries in the GCC saw similar reductions. According to World Bank data, the United Arab Emirates (UAE) saw GDP reductions of 14%, while countries further afield such as the United States (US) and the United Kingdom (UK) had GDP fall by 2.2% and 4.1%, respectively. In 2021G, Saudi Arabia saw a large rebound with GDP growth exceeding 18% as pandemic restrictions eased and worldwide economic activity resumed.

In contrast to relatively stable real GDP growth, nominal GDP growth ranged from 18.6% to -12.5% between 2017G and 2021G. This reflects volatility in hydrocarbon prices and the COVID-19 pandemic. The changes in the gap between nominal and real GDP are further reflected by movements in the GDP deflator. GDP per capita was approximately SAR 73,000 in 2021G and is set to increase in coming years according to the International Monetary Fund's World Economic Outlook (IMF WEO).[2]

2 Comparisons of GDP per capita can raise issues of purchasing power comparability, and the best readily available comparison is based on OECD purchasing power parities (PPP) which are "measured in terms of national currency per US dollar". According to 2020G World Bank data, Saudi Arabia enjoys approximately SAR 175,350 ($46,760) GDP per capita on a purchasing power parity basis, which compares with an average of SAR 203, 554 ($ 54,281) in GCC countries and SAR 168,431 ($ 44,915) for OECD countries, thus indicating that the Kingdom has higher per capita income than OECD averages adjusted for purchasing power but remains lower than its GCC counterparts, notably Qatar and the United Arab Emirates with SAR 337,384 ($ 89,969) per capita and SAR 250,391 ($ 66,771) per capita, respectively.

The energy and water sectors are critical resources for the KSA. The country is characterised by high per capita consumption of electricity and water. Residential electricity consumption per capita was 3,931 KWh in 2020G. In 2018G, the per capita consumption of water per day was 278 litres (L). For contrast, this number is 141 L in Oman and 210 L in South Africa. The electricity and water sector market structure are characterised by vertically integrated utilities providing power or water services or both. Historically, the sector has been run by large government companies but since 2002G, the involvement of the private sector in the provision of these services has been encouraged. High consumption is driven by social customs and climatic considerations, high network (transmission and distribution) losses, inefficiencies within housing units, limited awareness on water use efficiency, and limited price signalling.

Table (3.1): Macroeconomic indicators

Indicator	2017G	2018G	2019G	2020G	2021G	2022G[f]	2023G[f]	2024G[f]	2025G[f]
GDP, current prices (SAR billions)	2,582	3,062	3,014	2,638	3,126	3,286	3,372	3,483	3,612
Growth (%)	6.8	18.6	-1.6	-12.5	18.5	5.1	2.6	3.3	3.7
GDP, constant prices (SAR billions)	2,569	2,633	2,642	2,533	2,615	2,729	2,805	2,884	2,963
Growth (%)	-0.7	2.5	0.3	-4.1	3.2	4.4	2.8	2.8	2.8
Oil sector (%)	43	43	41	40	39	NA	NA	NA	NA
Non-oil sector (%)	56	54	55	56	57	NA	NA	NA	NA
Private (%)	40	37	38	39	40	NA	NA	NA	NA
Government (%)	17	17	17	18	17	NA	NA	NA	NA
Import duties (%)	1	3	3	3	4	NA	NA	NA	NA
GDP deflator (%)	7.6	11.5	0.5	-7.9	17.0	-0.8	-0.2	0.5	0.9
GDP per capita, constant prices (SAR thousands)	79	92	88	75	73	75	76	77	78
Growth (%)	4.1	15.7	-3.9	-14.5	-2.5	2.8	0.8	0.8	0.7

Note: Forecasts are denoted by f. The base year for GDP at constant prices is 2010G.

Source: Market Report

3.2.1.2 Importance of the oil sector

The oil sector represents a substantial portion of Saudi Arabia's economic activity (39% of GDP in 2021G). Overall economic performance is heavily linked to hydrocarbon prices, both directly, because of the oil sector's size, and through public expenditure, which is directly affected by oil revenue and is a major driver of demand in the non-oil economy.

In 2022G, Saudi Arabia has the second largest crude oil reserves in the world after Venezuela, with 267 billion barrels (BBL) of proven crude oil reserves, and is the second largest producer of crude oil, after Russia. In 2020G, Saudi Arabia exported 73% of its annual 3,372 million BBL of crude oil produced. 74% of Saudi Arabia's crude oil exports are to Asia and the Far East.

Due to its importance as a producer and exporter of crude oil as well as its substantial spare capacity, Saudi Arabia is arguably one of the most influential Organization of the Petroleum Exporting Countries (OPEC) members and therefore has substantial market power over the price of crude oil internationally.

Saudi Arabia's production of refined products totalled 797 million BBL in 2020G, and 372 million BBL were exported. In 2019G, approximately 69 million tonnes (1.2b BBL equivalent) of refined products were loaded from the industrial ports of Jubail and Yanbu where Marafiq operates, representing 97% of all refined product exports from Saudi Arabia's ports.[3] Over half of these refined products were sulphur from the Yanbu Industrial Port.

Growth in the non-oil sector

The non-oil sector is an increasingly important aspect of the Saudi Arabian economy with steady growth of 1% each year since 2018G. This is largely being driven by growth in the private sector as the government is encouraging the growth of non-oil-related industry to diversify the economy. The KSA's Vision 2030 program is an example of this push for diversification.

[3] Refined products include, sulphur (78%), ammonia (4%) and other refined products (17%). Total of 69m tonnes equates to 195b litres. At 159 litres per barrel of oil, this is the equivalent of 1.2b barrels of oil.

The Saudi Arabia Purchasing Manager's Index (PMI) increased to 56.8 points in March 2022G, indicating growth in the non-oil private sector. This represents a substantial growth rebound since the COVID-19 pandemic began and the PMI stood at 42.4 points in March 2020G, just two years ago. The non-oil private sector has grown 1.1% on average between 2015G and 2021G while the non-oil public sector has grown by 1.4% on average in the same period.

The benefits of diversification and a growing non-oil sector were seen in 2021G where Saudi Arabia's non-oil exports helped to mitigate adverse effects of oil price volatility on the economy. While oil exports fell by over 40% in 2020G and increased by nearly 70% in the subsequent year, non-oil exports did not see such extreme movements. Non-oil exports fell by under 10% in 2020G (driven by the COVID-19 economic slowdown) and in 2021G they increased by 37%.

Table (3.2): The oil sector in Saudi Arabia

Indicator	2017G	2018G	2019G	2020G	2021G
Nominal brent crude oil price (USD per BBL)	54.3	71.1	64.4	41.8	70.7
Crude oil reserves (billion BBL)	266	267	267	267	NA
Annual crude production (million BBL)	3,635	3,765	3,580	3,372	NA
Average daily crude production (million BBL/d)	10.0	10.3	9.8	9.2	NA
Crude oil exports - Total (million BBL)	2,543	2,691	2,569	2,459	NA
Asia and Far East (%)	69	68	73	74	NA
North America (%)	14	14	8	8	NA
Western Europe (%)	11	12	11	11	NA
Rest of the World (%)	6	7	7	7	NA
Production of refined products (million BBL)	1,049	1,028	925	797	NA
Exports of refined products (million BBL)	658	719	474	372	NA

Note: refined products include fuel oil, diesel, gasoline (including natural gasoline), naphtha, liquefied petroleum gas, kerosene, aviation fuels, asphalt, coke.

Source: Market Report

3.2.1.3 Employment

An estimated 61.5% of Saudi Arabia's population aged 15 or above is in the labour force (2021G). The Saudi Arabian unemployment rate was 6.9% in 2021G. This compares to approximately 2.9% in Oman, 3.5% in Kuwait, 3.2% in the UAE, and 8.1% in the US (2020G). The unemployment rates of Saudi Arabian and Non-Saudi Arabian nationals were respectively 11% and 2.9% in 2021G. The dependency ratio, or the ratio of non-working age to working age population, has remained steady from 2017G to 2020G.

Table (3.3): Unemployment and dependency ratios

Indicator	2017G	2018G	2019G	2020G	2021G
Unemployment rate (%)	6.0	6.0	5.7	7.4	6.9
Saudi Arabian (%)	12.8	12.7	12	12.6	11
Non-Saudi Arabian (%)	0.9	1.0	0.4	2.6	2.9
Dependency ratio (%)	38.7	38.5	38.4	38.2	NA
Younger than 15 (%)	32.8	32.6	32.5	32.3	NA
Older than 64 (%)	3.3	3.3	3.3	3.3	NA

Note: Dependency ratios are derived by calculating the number of dependents aged 0-14 and over the age of 65, compared with the total population aged 15 to 64.

Source: Market Report

3.2.1.4 Public finances and trade balance

The main source of government revenue is the oil sector, with oil revenues representing 53% of total government revenues as at 2020G.

While government finances have been strong historically, with large surpluses being run, low world prices for crude oil and related petroleum products between 2015G and 2021G as well as the need for investment have resulted in turning the surplus to a deficit from 2014G onwards. The deficit in 2020G amounted to 294 SAR billion due to the COVID-19 pandemic.

Government reserves in Saudi Arabia are among the largest in the world. Reserves can be counted on several bases, including reserves at the International Monetary Fund (IMF), foreign exchange, and other types. Foreign exchange reserves in Saudi Arabia are just over $453b (SAR 1.7 trillion "t" in 2020G according to the World Bank. While this ranks them 6th in the world among countries, with China by far number one, followed by Japan, these countries are somewhat outliers due to their large trade-surpluses with the US and their large populations. On a per capita basis, Saudi Arabia has nearly six times more reserves than China. A similar story is told if using other measures of reserves, such as total bank reserves including gold

Saudi Arabia further has a substantial portion of total reserves that is much larger, counting foreign investments in financial securities, which would include sovereign wealth funds, this latter figure amounted to just under SAR 1.12t, bringing total reserves to almost SAR1.71t, according to the SAMA monthly bulletin of statistics. In 2020G, government revenue decreased and expenditure increased as percentages of GDP, with the 2020G deficit accounting for nearly 11.2% of GDP. Deficits of 3% or below are forecasted by the IMF in the coming years.

Table (3.4): Public finances

Indicator	2017G	2018G	2019G	2020G	2021G[f]	2022G[f]	2023G[f]	2024G[f]	2025G[f]
Government revenue (SAR billions)	692	906	927	782	919	955	979	1,012	1,053
Percent of GDP (%)	26.8	29.6	30.8	29.6	29.1	29.1	29.0	29.1	29.2
Government expenditure (SAR billions)	930	1,079	1,059	1,076	1,015	1,013	1,027	1,049	1,074
Percent of GDP (%)	36.0	35.2	35.1	40.8	32.1	30.8	30.5	30.1	29.7
Surplus/deficit (SAR billions)	-238	-174	-133	-294	-96	-58	-49	-37	-21
Percent of GDP (%)	-9.2	-5.7	-4.4	-11.1	-3.0	-1.8	-1.5	-1.1	-0.6
Total Reserves including Securities (SAR trillions)	1.86	1.86	1.87	1.70	1.71	NA	NA	NA	NA

Note: Government finance series are based on current prices.

Source: Market Report

3.2.1.5 Consumer price index and monetary policy

Saudi Arabia operates sound and standard monetary policy to support economic stability and growth. Monetary policy and central banking activities are the remit of the SAMA. Established in 1952G by two Royal Decrees, the SAMA undertakes responsibility for all the main monetary, financial, and banking functions of Saudi Arabia. Like most central banks, the SAMA has a dual remit to promote financial stability and growth.

One of the principal monetary policies of Saudi Arabia is maintaining fixed exchange pegs to the USD, with the rate of 3.75 SAR/USD. Most petroleum rich countries and GCC countries maintain similar policies, as crude oil is traded internationally in USD, thus insulating the economy from swings in the value of exports due to swings in exchange rates. Table 5 below gives selected monetary and financial indicators from the SAMA.

Overall, the indicators show a strong economy. 2019G-2020G is an anomaly year due to the pandemic. Consumer Price Inflation (CPI) in Saudi Arabia has been moderate in recent years, averaging 0.75% between 2017G and 2020G and not exceeding 3.5% in any given year. The negative consumer price inflation in 2019G has returned to 3.5% per annum in 2020G, which is a rebound from the pandemic, and is modest relative to countries which perhaps struggled with rebound supply chain issues as the pandemic unwound. According to the IMF WEO, CPI is expected to be 2.2% and 2% in 2022G and 2023G respectively. Aggregate money supply is growing more quickly, at 8.3% from 2019G to 2020G, than consumer prices in 2019G, while total currency grew at about 1%. Interest rates on bank deposits are less than half the rate of CPI inflation, indicating real value loss on basic savings.

Monetary deposits and capital adequacy ratios are extremely stable, while budget deficits have increased in 2020G, and the current account experienced a deficit. The Tadawul all share index increased a healthy 3.5% from 2019G while the public debt to GDP ratio has almost doubled from 2017G to 2020G. M3 is the sum of currency in circulation and overnight deposits, deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months and repurchase agreements, money market fund shares/units and debt securities with a maturity of up to two years.

Central Bank interest rates in Saudi Arabia, the repo rate and reverse repo rate, stood at 1% and 0.5% at the end of 2020G respectively, after a reduction of 1.25 percentage points each. Cash reserve ratios were maintained at 4% for time and savings deposits, and 7% for demand deposits.

Table (3.5): Monetary policy indicators

Indicator	2017G	2018G	2019G	2020G
Inflation - CPI (%)	-0.8	2.5	-2.1	3.5
Aggregate money supply M3 (SAR billions)	1,791	1,854	1,985	2,149
Currency in circulation to total money supply ratio	9.6	9.7	9.5	9.6
Deposits to money supply ratio	90.4	90.3	90.5	90.4
Net foreign assets of domestic banks (SAR billions)	147.9	120.9	70.5	68
Interest rates on SAR deposits (3 months) (%)	1.8	2.5	2.6	1.2
Bank capital adequacy ratio (Basel III)	20.4	20.3	19.4	20.3
Budget deficit to GDP ratio	-9.2	-5.9	-4.5	-11.2
Current account surplus to GDP ratio	1.5	9	4.8	-2.8
Current account (billion SAR)	39.2	264.8	143.4	-73.7
Tadawul All Share Index (TASI) (1985 = 1,000)	7,226	7,827	8,389	8,690
Public debt to GDP ratio	17.2	19	22.8	32.5

Note: For CPI 2018=100

Source: Market Report

3.2.2 Demographic overview

Saudi Arabia is the most populous country in the GCC, with its 35 million inhabitants (2020G) representing almost 60% of the total GCC population. Population growth has been slowing and the IMF expects growth to be approximately 2% each year between 2020G and 2025G.

Saudi Arabia counts a population of over 13.5 million non-Saudi Arabians. The Saudi Arabian population has grown at an average rate of 1.55% from 2017G to 2020G, while the non-Saudi Arabian population has grown at more than twice that rate in the same period (3.55%).

Table (3.6): Demographic and employment indicators

Indicator	2017G	2018G	2019G	2020G	2021G[f]	2022G[f]	2023G[f]	2024G[f]	2025G[f]
Population (millions)	32.6	33.4	34.2	35.0	35.5	36.2	36.9	37.6	38.4
Growth (%)	2.8	2.5	2.4	2.3	1.4	2.0	1.9	1.9	2.1
Saudi Arabian population (millions)	20.4	20.8	21.1	21.4	NA	NA	NA	NA	NA
Growth (%)	1.7	1.7	1.4	1.4	NA	NA	NA	NA	NA
Non-Saudi Arabian population (millions)	12.2	12.6	13.1	13.6	NA	NA	NA	NA	NA
Growth (%)	4.1	3.8	3.3	3.0	NA	NA	NA	NA	NA
0-14 (%)	24.7	24.6	24.5	24.4	NA	NA	NA	NA	NA
15-64 (%)	72.1	72.2	72.3	72.4	NA	NA	NA	NA	NA
65+ (%)	3.2	3.2	3.2	1.9	NA	NA	NA	NA	NA
Female (%)	42.5	42.4	42.3	42.2	NA	NA	NA	NA	NA
Male (%)	57.5	57.6	57.7	57.8	NA	NA	NA	NA	NA

Note: Forecasts are denoted by f

Source: Market Report

The median age of Saudi Arabia's population is getting older, moving from 30.0 years in 2015G to 31.8 years in 2020G. The proportion of males among the population is larger than, and has increased relative to, that of females to reach 57.8% in 2020G, up from 57.5% in 2017G. This can be linked to the large and increasing proportion of non-Saudi Arabian residents, which are predominantly male. Indeed, less than a third (31.4%) of non-Saudi Arabian residents were female in 2020G, while 49.1% of Saudi Arabian residents were female in 2020G.

3.2.3 Economic policy overview

Saudi Arabia employs several standard macroeconomic policies in order to maintain and enhance economic stability and growth. As mentioned in Section 3.2.1, exchange rates, like most major oil exporting states, are pegged to the US Dollar, which eliminates exchange rate risk for oil trade.

Saudi Arabia maintains generally low tax policies favourable to business and individuals, with no personal income tax, and differential corporate income tax rates for national and non-GCC foreign firms – the latter being 20% of taxable adjusted profits. Notably, capital gains on shares listed and traded on the Tadawul, are tax exempt if the shares were purchased after July 2004G. A value-added tax (VAT) was introduced in 2018G at a standard rate of 5%, this has since increased to 15% as at July 2020G.

The government has been a key contributor to the development of several strategic economic sectors in Saudi Arabia and currently owns a controlling interest in these sectors either directly or indirectly through the relevant government and semi-government bodies. However, the government intends to increase private sector participation in the economy to bring efficiency and new technology and reduce government dependence. The goal to increase the private sector's contribution to the economy is also enshrined in Saudi Arabia's Vision 2030 (see Figure (3.1)).

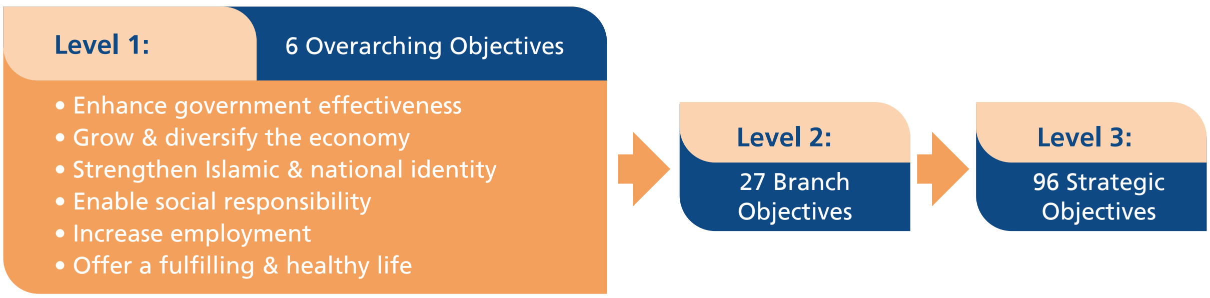
The country maintains a sovereign wealth fund in the form of the Public Investment Fund (PIF). Founded in 1971G, recent reforms are enabling the fund to diversify its investments both within and outside Saudi Arabia. Such funds are common among resource-rich exporting nations with a mandate to enhance local investment as well as smooth cyclical economic investments. The PIF is the 6th largest sovereign wealth fund globally, with assets estimated to be circa $580b (2.1t SAR) in 2022G (Norway's national sovereign wealth and pension fund tops the list with assets over $1.4 trillion (5.2t SAR)).

Vision 2030

Saudi Arabia's Vision 2030 lays out a comprehensive national development strategy, with a reduction of the country's oil-dependency and economic diversification at its heart, but also incorporating objectives for social development and improved economic governance. The strategy was formally adopted in April 2016G.

The Vision 2030 defines a set of strategic objectives based on a hierarchy that moves from three high-level 'pillars' of the strategy to executable and measurable objectives. Institutionally, the strategy is being overseen by the Council of Economic and Development Affairs (CEDA).

Figure (3.1): Kingdom of Saudi Arabia (KSA) Vision 2030 - Strategic Objectives and Vision Realization Programs



Source: Vision 2030

To achieve the objectives of Vision 2030, CEDA established several Vision Realization Programs (VRPs). Each VRP comprises a series of initiatives and delivery plans, guided by pre-defined objectives and Key Performance Indicators (KPI). The implementation follows a five-year planning cycle with annual and quarterly adjustment. Programs fall under the headings of PIF, Housing, Doyof Al Rahan, Fiscal Sustainability, Human Capital Development, Quality of Life, National Transformation, Privatization, Health Sector Transformation, Financial Sector Development and National Industrial Development and Logistics.

The Privatization program relates to the water, power, and gas sectors as they have traditionally been government run operations. Under this program they will see more involvement by the private sector which will improve quality and efficiency. The National Transformation program aims to enhance living standards by accelerating the implementation of primary infrastructure, thus, supporting the growth of water, power, and gas services. Similarly, the National Industrial Development and Logistics program focuses on turning Saudi Arabia into an industrial powerhouse by leveraging the resources of sectors like energy. These VRPs of Vision 2030 align with the water, power, and gas sectors.

3.3 The industrial cities of Jubail, Yanbu, Jazan, and Ras Al-Khair

Marafiq provides its services primarily to Jubail and Yanbu industrial cities, which are respectively located on the coasts of the Arabian Gulf (East of Saudi Arabia) and the Red Sea (West of Saudi Arabia). Both were founded in the mid-1970s with the objective of exploiting natural gas reserves in Saudi Arabia. Both cities are connected by a pipeline, which fuels Yanbu's industries and exports via the Red Sea. In addition, Marafiq has been selected as the power and water utility service provider for Ras Al-Khair Industrial City (RIC) and Jazan City for Primary and Downstream Industries (JCPDI). Marafiq is also seeking to provide gas distribution services in RIC. The Royal Commission for Jubail and Yanbu (RC) is responsible for managing and overseeing the development of all four industrial cities in which Marafiq is currently operating or expected to operate in the future.

3.3.1 Jubail Industrial City

Historically, Jubail was a small fishing village. Its location on the coast of the Arabian Gulf and near large oil fields made it the ideal location for an industrial city. In the 1970's, the Bechtel Company constructed the port and have continued to be involved in the growth of the region. In 2004G, the Jubail-II project was commissioned to Bechtel with the objective of hosting up to 22 new primary industries and attracting SAR 210 billion in investment. This is to be achieved through an expansion of Jubail's industrial area, industrial port, and housing capacity.

Jubail industrial city has more than one hundred thousand residents and represents over 11% of Saudi Arabia's non-oil GDP, and 7% of global petrochemical production. Jubail's refining capacity of over 0.7 million BBL/d makes it the second largest refinery hub in the country after Yanbu industrial city. In 2019G, 54.7 million tons of cargo were loaded from (i.e., exported) and 10 million tons were discharged onto (i.e., imported) Jubail's industrial port.

Today, Jubail stands as the largest industrial city in the world by square kilometres. It is a hub for refining and petrochemical industries and has the infrastructure to connect it domestically and internationally.

3.3.2 Yanbu Industrial City

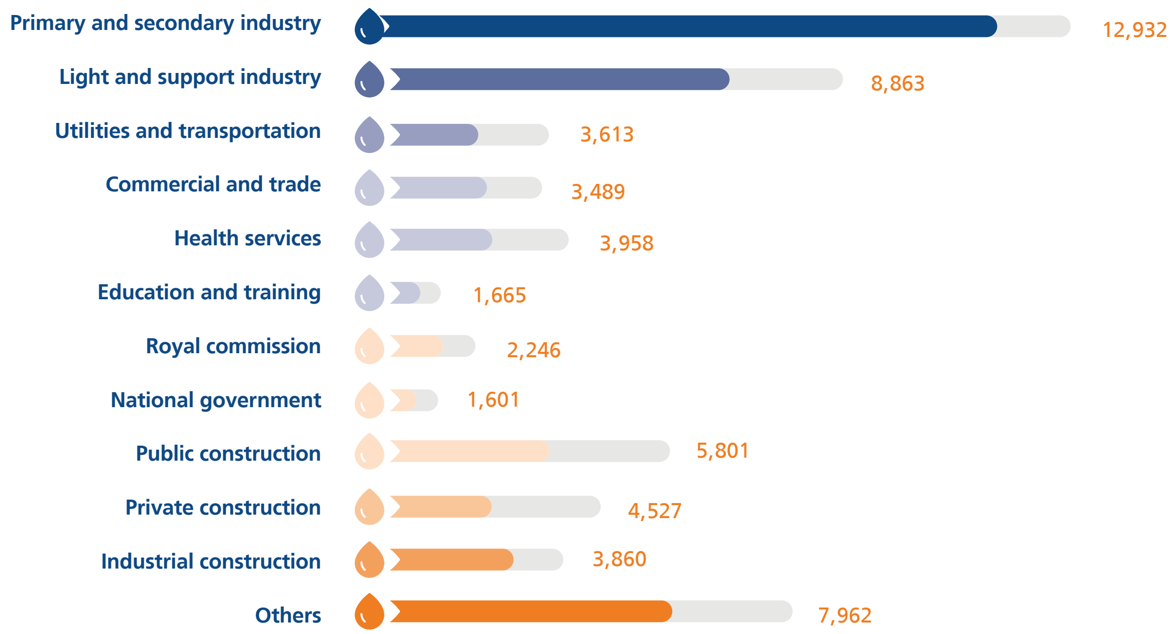
Yanbu was a small port town until the mid-1970's, when it (alongside Jubail) was deemed an appropriate site for an industrial city due to its location on the Red Sea coastline that allows access to European markets. The region has since been developed to include one of the largest oil refineries in the world and a large-scale petroleum transportation port. Yanbu industrial city has 127,336 residents as at 2017G. Over one third of Yanbu's employment is concentrated in primary[4] and secondary industries[5] (21%) and light and support industry[6] (15%).

4 Primary industries are industries associated with the production of crude oil, natural gas, associated gas, petrochemicals produced from natural liquids, and refined oil products or minerals.

5 Secondary industries are defined as producing petrochemical derivates that use, as their main input, products of primary industries or other basic hydrocarbons and mineral resources, to produce intermediate and finished products.

6 Light and support industries are industries that produce manufactured goods for domestic and/or internal consumption from feedstock's provided by the major industries; and/or industries or companies that require an industrial permit to operate due to demand for utilities.

Figure (3.2): Employment, by sector (2017G)



Source: RC Yanbu Industrial City Quarterly Economic review (Q4 2017G)

At the end of 2017G, there were 129 industries in operation in Yanbu Industrial City, compared with 104 in 2012G. On average, the number of industries in Yanbu has grown at a rate of 4%. Apart from the year 2016G, which saw the closure of two industries in the light and support industry, the number of industries has grown at an increasing rate, reaching almost 10% in 2017G.

Table (3.7): Number of industries in operation

Year	2012G	2013G	2014G	2015G	2016G	2017G
Industries in operation	104	107	112	120	118	129
Growth		3%	5%	7%	-2%	9%

Note: this includes primary, secondary and light/support industries.

Source: RC Yanbu Industrial City Quarterly Economic review (Q4 2017G)

As per the RC Yanbu Quarterly Economic Review 2017G, Yanbu has three refineries, with a capacity of 1 million BBL/d, or almost one third of Saudi Arabia's total capacity. Industrial output is 131m tons; Marafiq power generation stands at 2,043 MW capacity; desalination production capacity is 6,176 m³/h; and the seawater cooling network capacity is 700,000 m³/h.

The King Fahad Industrial Port of Yanbu is the most important Red Sea port for the export of crude oil, refined products, and petrochemicals. In 2019G, the port saw 52.9 million tons of cargo exports and 30.8 million tons of imports. Overall, Yanbu plays a vital role in Saudi Arabia's refining industry.

3.3.3 Jazan City for Primary and Downstream Industries (JCPDI)

The JCPDI (formerly referred to as Jazan Economic City (JEC) and as Jazan City for Basic and Manufacturing (JCBM)) is located on the coast of the Red Sea, thus holding similar benefits to that of Yanbu. Established in 2009G, the economic city spans an area of 106 km² and a coastline of 11.5 km. It has a strategic location due to its proximity to international shipping routes and the horn of Africa. The closest urban centre is Baish, which is located 23km away from JCPDI. The closest airport is King Abdullah bin Abdulaziz Airport (Jazan Regional Airport), which is located 51km away. A 660km railway to connect Jazan area and Jeddah city is in the planning process.

Jazan City was conceptualised by Royal Decree on 13 of Shawwal 1427H (2006G). Initial development work such as the construction of a pioneer port, refinery, mineral processing facility, roads, and other supporting infrastructure has been done under the management of the Saudi Arabian Oil Company (Aramco). Work is currently ongoing to establish Jazan oil refinery.

The focus of JCPDI is on heavy industries, petrochemical industries, mining industries and downstream industries, which provide bio- energy supply, localise ship manufacturing and capitalise on minerals, agriculture, wildlife, and fish resources. The figure below provides a schematic overview of the RC's planned development phases for JCPDI.

Figure (3.3): JCPDI development phases

1: Existing Industries

Q3 2017

- STEFCO (In operation)
- SOLB STEEL (In operation)
- JAZAN REFINERY (U/c)
- CRISTAL (U/c)
- AL-REEF SUGAR REFINERY
- MEDICAL JAZAN THARAT
- PAN ASIA PET RESIN
- ETZZAN AL-ARABIA
- ZNHI Co. Ltd

2: Strategic Investment

2018-2020

- Expansion of steel industry
- Titanium
- Petrochemicals
- Silicon industry
- Marine services

3: Local Resources

2020-2028

- Food industry
- Packaging
- Logistic services
- Industrial waste recycling & management
- Gas stations
- Restaurants
- Truck parking
- Money transfer bank

4: Advanced Industries

2028-onwards

- Home appliance assembly
- Electromechanical
- Equipment assembly
- Construction materials

Source: RC JCPDI Quarterly Economic review (Q3 2017)

Several projects have been undertaken to build on the strategic investment goal of the JCPDI. Hutchison Ports have agreed with the JC to invest in and operate the JCPDI port, with Phase 1 beginning in early 2022G. Advanced Metal Industries Cluster Co., Ltd. (AMIC) has set up the largest titanium smelter plant in the world in JCPDI. Pan-Asia began Phase 1 of 3 of a petrochemical and chemical fibre integrated project in 2019G. Steefco currently operates a factory in the JCPDI which includes the main process routes for cut and bend rebar, welded mesh, cold drawn wire, and a rebar fusion bonded epoxy coating lines. Sold Steel operates a steel production centre in JCPDI. The Abdullah Hashim Industrial Gases & Equipment Company runs a factory in JCPDI supplying industrial, medical, food, and beverage grade gases in the KSA. Outotec set up a cristal ilmenite plant in JCPDI that delivers various metal products such as stainless steel and acid-proof steel. Other strategic investment in the area includes the Al-Reef Sugar Refinery and the Aramco Refinery Complex.

Thus, strategic investment is well underway in the region and the next step should be focusing on local resources. Based on investment activity in the area, the strategic investment of JCPDI seems to have been achieved, but the next phase developments are not evidenced in recent economic reports. On the other hand, the next phase development which are more retail and services focused may have been somewhat delayed by the pandemic. While this may be the case, expanding these facets of the city may proceed as demand emerges and may not be on the critical path of development in the short and medium term. The JCPDI offers many qualities that make it an attractive investment location: it is located close to important international shipping lanes, has access to large quantities of natural resources, and the Saudi Arabian government offers up to 75% medium- or long-term loans as well as the best land lease price regionally ($1.3/m³/year), this is the equivalent of SAR 4.88 per m³ per year.

In conclusion, JCPDI is positioned in an ideal location to act as a successful industrial city that provides heavy, petrochemical, mining, and downstream industrial services. Projects such as those mentioned above are serving to push JCPDI along its development Phase 2: Strategic Investment.

3.3.4 Ras Al-Khair Industrial City (RIC)

RIC lies just 60km north of Jubail. The town and port are currently underway with the strategic of developing Saudi Arabia's mining sector. The city will be dedicated to the processing of Saudi Arabia's key mineral resources, phosphate, and aluminium (from bauxite).

The plan is for integrated industrial complexes to leverage the country's mineral resources and low fuel and power costs. RIC will provide a strong strategic link and synergies to existing petrochemical industries in Jubail Industrial City.

RIC is being developed in phases, with the aim of full completion within the next 40 years. In December 2017G, Aramco signed two agreements with the RC to set up two industrial projects at RIC: a manufacturing facility for onshore drilling rigs and related equipment and a casting and forging facility.

Currently, two industrial complexes are in operation in RIC, both of which are affiliates of the Saudi Arabian Mining Company (MAADEN): MAADEN Phosphate Company and MAADEN Aluminium Company.

Much like JCPDI, RIC is a relatively new and developing industrial city that is strategically located in Saudi Arabia. RIC has a focus on processing mineral resources. Drilling rigs and casting and forging facilities are being set up by Aramco while MAADEN is involved in phosphate and aluminium production in the region.

3.4 The electricity and water sectors in Saudi Arabia

3.4.1 Market structure and key industry players

Several large government-owned companies operate in the electricity and water sectors in Saudi Arabia. The market structure is characterised by vertically integrated utilities, which provide either power or water services, or both. Generally, retailing and supply, transmission and distribution, and generation are integrated activities. Desalination often uses cogeneration and is thus integrated with electricity generation, as are wastewater and other industrial water services.

In 2002G, the Government of Saudi Arabia decided to increase the role of the private sector by opening the production of electricity and desalinated water to the private sector to own and operate plants and utilities in the sector. This led to a number of locally owned Independent Water and Power Producers (IWPPs) and Independent Power Producers (IPPs) providing power and water services and capacity on the basis of long-term Power and Water Purchase Agreements (PWPAs) and Power Purchase Agreements (PPAs). The current Vision 2030 envisages further increases in private sector participation.

The next table provides an overview of key industry players in the electricity and water sectors.

Table (3.8): Key industry players in the electricity and water sectors

Name	Role	Area	Ownership	Licensed production capacity of electricity	Licensed production capacity of desalinated water	Energy sold	Network length
Saudi Electricity Company (SEC)	Electricity generation Electricity distribution	Saudi Arabia	The PIF owns 75.1% with a further 6.93% owned by Aramco. The remaining 17.97% is listed on the Tadawul.	55,557 Megawatt (MW) 39 plants 61.7% of national production capacity	na	279,322 Gigawatts (GW) 9,758,748 customers reached.	537,301 km
National Grid Saudi Arabia	Electricity transmission	Saudi Arabia	Wholly owned subsidiary of SEC.	na	na	na	84,000 km
Marafiq	Cogeneration Electricity transmission Electricity distribution Water services provider	Industrial cities of Jubail, Yanbu, RIC and Jazan	The PIF, Saudi Aramco Power Company (SAPCO), Saudi Basic Industries Corporation (SABIC), and the RC each own 24.8% of the company. The remaining 0.8% is owned by private shareholders.	2,032 MW 2 plants 2% of national production capacity.	683,000 cubic meters per day (m^3/day) 3 plants 9% of national production capacity.	8,201 GWh 20,002 customer accounts 2.8% of national electricity sales.	
Tawreed	Single buyer of electricity produced by Jubail Water and Power Company (JWAP) Single buyer of water produced by JWAP	Jubail	Wholly owned subsidiary of Marafiq.	na	na	na	na
Jubail Water and Power Company	Cogeneration (IWPP)	Jubail	Jointly owned by SGA Marafiq Holding WLL (60%), Marafiq (30%), SEC (5%) and PIF (5%). The SGA Marafiq consortium comprises ACWA Power (33.33%), Engie (33.33%) and Gulf Investment Corporation (33.33%).	2,875 MW 1 plant 3% of national production capacity	800,000 m^3/day 1 plant 11% of national production capacity	na	na
International Company for Water & Power Projects (ACWA Power)	Cogeneration Shareholding in multiple IPPs and IPWPs.	Saudi Arabia	Owned by PIF (44.16%), Vision Investment (22.75%) and Al Rajhi Holding (11.20%).	see below	see below	na	na

Name	Role	Area	Ownership	Licensed production capacity of electricity	Licensed production capacity of desalinated water	Energy sold	Network length
Shuaibah Water & Electricity Company (SWEC)	Cogeneration (IWPP)	Makkah	Owned 60% by Saudi-Malaysia Water & Electricity Company Limited, 32% by Saudi Arabia Water and Electricity Holding Company (WEHCO), 8% by SEC. Saudi-Malaysia Water & Electricity Company Limited is owned by ACWA Power (50%) and Malaysian corporate investors Tenaga Nasional Berhad (TNB), Malakoff Corporation Berhad (Malakoff) and Khazanah Nasional Berhad (KNB) (jointly 50%).	1,191 MW 1 plant 1% of national production capacity	888,000 m³/ day 1 plant 12% of national production capacity	na	na
Shuaibah Expansion Company (SEPCO)	Cogeneration (IWPP)	Makkah	Shuaibah Expansion Holding Company (SEHCO) owns 97.5% of SEPCO and the remaining 2.5% of SEPCO is owned by Saudi Malaysia Water & Electricity Company Ltd. (SAMAWEC) (1%), SEC (0.5%), Mohammed A. Abunayyan (0.5%) and Rashed AlRashed (0.5%). SEHCO is owned by SWEC (60%), PIF (32%) and SEC (8%).		150,000 m³/ day 1 plant 2% of national production capacity	na	na
Shuqaiq Water & Electricity Company (SQWEC)	Cogeneration (IWPP)	Southern	SQWEC is owned by ACWA Power (40%), PIF (32%), Gulf Investment Corporation (20%) and SEC (8%).	1,020 MW 1 plant 1% of national production capacity	212,000 m³/ day 1 plant 3% of national production capacity	na	na
Hajr for Electricity Production Company (Hajr)	Electricity generation (IPP)	Quarayyah	Hajr is owned by SEC (50%), ACWA Power (17.5%), Samsung C&T Corporation (17.5%) and MENA Infrastructure (15%).	4,098 MW 1 plant 5% of national production capacity	na	na	na
Al Mourjan for Electricity Production Company (Al Mourjan)	Electricity generation (IPP)	Makkah	Owned by ACWA Power, Samsung C&T Corporation and SEC.	2,116 MW 1 plant 2% of national production capacity	na	na	na
Rabigh Arabian Water and Electricity (RAWEC)	Cogeneration (IWSPP)	Makkah	Owned by ACWA Power (74%), Oasis Power One Conventional Energy (25%) and Petro Rabigh (1%).	840 MW 1 plant <1% of national production capacity	288,000 m³/ day 1 plant 4% of national production capacity	na	na
Rabigh Electric Company (REC)	Electricity generation	Rabigh	Owned by ACWA Power (40%), Kepco (40%) and SEC (20%).	1,320 MW 1 plant 2% of national production capacity	na	na	na

Name	Role	Area	Ownership	Licensed production capacity of electricity	Licensed production capacity of desalinated water	Energy sold	Network length
International Barges Company for Water Desalination Limited (Bowerage)	Desalination	Yanbu and Medina	Owned by ACWA Power (65%) and Raka Saudi Power and Water (35%).	na	50,000 m³/day 1 plant 1% of national production capacity	na	na
ENGIE	Cogeneration Shareholding in multiple IPPs and IPWPs.	Saudi Arabia	67.91% is held by public investors such as Blackrock (4.4%), 23.64% is held by the French state, 3.24% is held by employees, 4.595 is held by Groupe CDC and CNP Assurances and 0.62% is treasury stock.	see below	see below	na	na
Tihama Power Generation Company (Tihama)	Cogeneration	Eastern	Owned by ENGIE (60%) and Saudi Oger (40%).	1,643 MW 4 plants 2% of national production capacity	na	na	na
Dhuruma Electric Company (Durmah)	Electricity generation	Riyadh	Owned by ENGIE (80%) and Aljomaih Energy & Water Company Limited (20%).	1,756 MW 1 plant 2% of national production capacity	na	na	na
Saudi Arabian Oil Company	Cogeneration	Saudi Arabia	98.2% is owned by the Saudi Arabian Government while remaining shares are held by large investment firms such as The Vanguard Group (0.041%) and Blackrock Fund Advisors (0.019%).	2,247 MW 8 plants 3% of national production capacity		na	na
Saudi Aramco Shell Refinery (SASREF)	Cogeneration	Eastern	Wholly owned subsidiary of Aramco.	49 MW 2 plants <1% of national production capacity	na	na	na
Saline Water Conversion Corporation (SWCC)	Cogeneration Desalination Water transmission	Saudi Arabia		7,458 MW 17 plants 9% of national production capacity	4,606,294 m³/day 17 plants 60% of national production capacity	na	5,600 km
National Water Company (NWC)	Service provider	Saudi Arabia except industrial cities of Jubail and Yanbu	Fully owned by government (PIF).			na	
Regional water directorates	Service provider	Saudi Arabia				na	
Jubail Energy Company	Cogeneration	Eastern	TAQA owns 51%, Duferco Saudi Ltd owns 10% and the remainder is held by prominent Saudi investors.	250 MW 1 plant <1% of national production capacity	na	na	na

Name	Role	Area	Ownership	Licensed production capacity of electricity	Licensed production capacity of desalinated water	Energy sold	Network length
Power Cogeneration Plant Company (PCPC)	Cogeneration	Eastern	International Power owns 60% while Saudi Oger (construction & telecommunications) owns 40%.	876 MW 3 plants <1% of national production capacity	na	na	na
Al Tuwairqi Energy Company	Electricity generation	Eastern		78 MW 1 plant <1% of national production capacity	na	na	na
Saudi Water Partnership Company (SWPC)	Single buyer of water	Saudi Arabia except industrial cities of Jubail and Yanbu	Fully owned by the Ministry of Finance (MOF).	na	na	na	na
Al Fatah Water and Power Company	Desalination	Jubail		na	75,000 m³/day 1 plant 1% of national production capacity	na	na
Kindasa Water Services Company	Desalination Water services provider	Jeddah	Owned by Saudi Industrial Services Co. (SISCO, 65%) and Mohamed Abdulatif Jameel Co. (MALJC, 35%).	na	63,000 m³/day 1 plant 1% of national production capacity	na	na
Saudi Cement Company	Electricity generation	Eastern		227 MW 2 plants <1% of national production capacity	na	na	na
Obeikan Paper Industries Company	Electricity generation	Riyadh	Wholly owned subsidiary of Obeikan Paper Industries Company.	16 MW 1 plant <1% of national production capacity	na	na	na

3.4.2 Regulatory framework

The electricity and water sectors in Saudi Arabia are regulated industries. Regulation takes the form of both economic price regulation, entry/exit regulation, environmental and other forms of quality regulation. Marafiq's revenues, costs, and pricing structures, as well as environmental outputs, are governed by these laws and regulations, but also by the relocation of clients from certain cities.

The "**generation, cogeneration, transmission, distribution, trading and retail of electricity**" in the KSA is governed by the Electricity Law, which was enacted pursuant to Royal Decree M/56 dated 20/10/1426H (corresponding to 22/11/2005G). Regarding water regulation, the activities of "**treatment, production, transportation, distribution and trading of water**" are governed under the Water Law as per Royal Decree 159/M.

Both sectors are governed by the Water and Electricity Regulatory Authority (WERA). This is a role previously held by the Electricity and Co-generation Regulatory Authority (ECRA). Implementing the Water Law shall not conflict with Royal Decree M 48790 which states that the Energy and Water Price Reform Executive Committee will facilitate and recommend power and water (economic and regulatory) affairs.

In addition to these regulations, several environmental laws apply. In 2002G, the General Authority of Meteorology and Environmental Protection (GAMEP), (previously the Presidency of Meteorology and Environment), issued the KSA's first environmental law through the General Environmental Regulation and the General Environmental Regulations and Rules for Implementation. Articles 12-14 in the General Environmental Regulation relate to the water sector, with Article 12 containing guidelines about receiving water, Article 13 prescribing performance standards for indirect discharge, and Article 14 containing pre-treatment guidelines for discharge to central treatment facilities.

Independently from the national regulatory framework, the industrial cities of Jubail and Yanbu have implemented further-reaching standards for the water sectors. The environmental regulations and standards for the industrial cities of Jubail and Yanbu are set and managed by the RC which is the environmental regulating body responsible for controlling pollution associated with the development and operation of the industrial cities.

The RC has formulated the unified Royal Commission Environmental Regulations (RCER), which provide for stricter regulations, standards, and guidelines for industries in Jubail, Yanbu, Jazan, and RIC compared to the nationally applicable standards. The RCER are based on international best practice and US Environmental Protection Agency (EPA) standards and guidelines, they are reviewed periodically every five years. In 2020G, as part of the normal periodic practice, the RC further revised and reissued the RCER-2020 which delegated the GAMEP's authority for certain environmental 'sectors' to five separate bodies.

The National Centre for Environmental Compliance (NCEC) is responsible for issuing permits to construct and operate all developments including industrial, agricultural, commercial, water and energy, mining, and development projects (excluding those facilities being developed or modified under the industrial cities of Jubail, Yanbu, RIC and JCPDI).[7]

The National Centre for Meteorology (NCM) monitors weather, issues forecasts, and assesses optimal use of the country's natural resources. The National Centre for Vegetation Cover (NCVC) combats desertification, develops forest vegetation, protects plant species, and manages national parks. The National Centre for Waste Management (NCWM) issues environmental permits for industrial waste management activities. Certain developments may require permits from both the NCWM and NCEC. The National Centre for Wildlife (NCW) protects and sustains terrestrial and marine wildlife through programs reducing threats and rehabilitating species and ecosystems.

An overview of the regulatory regime, as it applies to Marafiq's regulated main business lines, and its evolution under various decisions of the Council of Ministers (COM), is provided in Table 9 below.

Table (3.9): Regulation of Marafiq activities under various decisions of the Council of Ministers

<table>
<tr><th>Service Line</th><th>Location</th><th>Com 53 2009G</th><th>Com 542 2016G</th><th>Water Law & Electricity Law 2022G</th></tr>
<tr><td>Power generation</td><td>Yanbu</td><td rowspan="5">ECRA</td><td rowspan="11">ECRA</td><td rowspan="4">WERA</td></tr>
<tr><td>Power transmission</td><td>Yanbu</td></tr>
<tr><td>Power distribution & retail supply</td><td>Yanbu & Jazan</td></tr>
<tr><td>Water production – Co-Gen</td><td>Yanbu</td></tr>
<tr><td>Water production – Single purpose</td><td>Jubail & Yanbu</td><td rowspan="4">MEWA</td></tr>
<tr><td>Potable water distribution</td><td>Jubail & Yanbu</td><td rowspan="6">RC BOD (RWS)</td></tr>
<tr><td>Sanitary wastewater</td><td>Jubail & Yanbu</td></tr>
<tr><td>Irrigation / Reclaimed water</td><td>Jubail & Yanbu</td></tr>
<tr><td>Seawater for industrial cooling</td><td>Jubail & Yanbu</td><td rowspan="3">MIMR/RC BOD</td></tr>
<tr><td>Industrial wastewater</td><td>Jubail & Yanbu</td></tr>
<tr><td>Process water distribution</td><td>Yanbu</td></tr>
<tr><td>Sales gas distribution</td><td>Yanbu</td><td>MEIM</td><td>MEIM</td><td>MOE</td></tr>
</table>

Source: Market Report

Decision 57 of the COM (Com 57) of 1999G provided that the Board of Directors (BOD) of Marafiq should act as the regulator until an independent regulator was set up. Within three years. Com 53 in 2009G then determined that the ECRA (now the WERA), should regulate electricity and co-generation services in Jubail and Yanbu, whilst the Board of Directors of the RC (RC BOD) should regulate water services, including provision of cooling water, treated water, industrial and sanitary sewage water, irrigation water and potable water. The Regulatory Water Service (RWS) was then established in 2011G as an independent support office to assist the RC BODs with their Com 53 regulatory functions.

7 NCEC also tasked with preparation and implementation of environmental standards and regulations and tracking and controlling of pollution levels and sources within KSA. For new projects / developments, outside of the RC jurisdiction and not governed by Saudi Aramco, a submission to the NCEC as the primary authority is required, which for major projects normally requires an Environmental

In 2016G, Com 542 determined that the ECRA (now the WERA) is responsible for regulating most of the power, water, and sanitary wastewater activities of Marafiq.

In 2022G, the current regulatory regime determines that the WERA deals with regulation pertaining to power generation, transmission, distribution, retail supply as well as co-gen water production. Meanwhile, the Ministry of Environment, Water and Agriculture (MEWA) regulates single purpose water production, potable water distribution, sanitary wastewater, and irrigation. The Ministry of Industry and Mineral Resources (MIMR) and the RC BOD share responsibility for industrial wastewater, process water distribution and seawater for industrial cooling. Lastly, the Ministry of Energy (MOE) regulates sales gas distribution. The primary focus of the regulation is price regulation (tariff setting).

Marafiq also has gas supply services, and matters relating to the sale of gas, including tariffs, are regulated by the MOE.[8] The environmental regulations and standards for the industrial cities of Jubail and Yanbu are set and managed by the RC.

The regulatory framework for the electricity and water sectors in Saudi Arabia is still evolving and is less developed relative to those in countries in Europe or North America and selected countries in the region. The Government is continuing to develop the regulatory framework and hence laws and regulations that apply to Marafiq are expected to change over time.

Currently, a framework for a more standard and comprehensive prices regulation in power and water services (single purpose) is being developed. This involves setting tariffs on an economic cost-of-service basis, where efficient operating expenditure, plus allowed cost for the regulated asset base (RAB), times a regulated weighted average cost of capital (WACC), and an allowed regulatory depreciation rate, form the basis for allowed revenue every year. Such regimes are standard practice internationally.

At the time of the IPO, these regimes are still in development, with Marafiq currently in the process of retooling its cost accounting to ensure cost separation and allocation across several business lines, to allow correct cost estimation for the different services to be regulated under the new regimes (e.g., power, and single purpose water).

3.4.3 Regulation of right to generation and distribute power

Currently in Saudi Arabia, the national electricity system operates under a single buyer system, where all producers must sell wholesale power to the single buyer. Within Marafiq's own region (the Industrial city of Yanbu), Marafiq produces, distributes (via transmission and distribution voltage assets), and sells electricity to its own customers, and so is an exception. At the meeting of 22 December 2019G two questions were raised regarding Marafiq's licenses to sell power. At this date, the ECRA shared opinions that Marafiq should not be a power generator or distributor. However, it is unclear whether this implies retail separation or whether this applies only to customers outside the industrial cities in which Marafiq operates.

3.4.4 Regulated tariffs

In this section, London Economics has reviewed comprehensively the documentation provided by Marafiq management as well as the RWS' tariff setting procedures from 2012. While the previous tariff setting regime will be replaced, the previously estimated tariffs will form the basis of new tariffs for several services. Some aspects of the documents were not available or were available only in Arabic, and we relied on explanations and clarifications from Marafiq's Regulatory Affairs management team as well as translations from the legal team of meeting minutes.

The tariff setting approach in place can be summarised as follows.

i. Water tariffs currently follow a revenue requirement which equates to the following:

$$\mathbf{Opex + Dep + WACC\ (RAB + WC) + Rev + Inc}$$

Where **Opex** is the allowed operating expenditure, **Dep** is the allowed depreciation, **WACC** is the Weighted Average Cost of Capital, **RAB** is the regulated asset base, **WC** is the working capital, **Rev** is the revenue correction (difference between actual and allowed), and **Inc** is the incentive payment.

ii. Regarding electricity tariffs, the WERA uses the following approach to establish the appropriate level of revenue to cover economic and efficiently incurred costs.

$$\mathbf{RR_t = AO_t + RoI_t + Dep_t + Dis_t + PTC_t + RC_t}$$

Where $\mathbf{RR_t}$ is the revenue requirement, $\mathbf{AO_t}$ is the allowed operating expenditure, $\mathbf{RoI_t}$ is the return on investment, $\mathbf{Dep_t}$ is allowed depreciation, $\mathbf{Dis_t}$ is allowed disposal costs, $\mathbf{PTC_t}$ is pass-through costs and $\mathbf{RC_t}$ is the revenue correction.

iii. Sales gas distribution tariffs are set by the MOE based on national sales pricing policy for hydrocarbons, plus allowances for cost and capital remuneration in the gas distribution and retail operations.

8 As per exchange between London Economics and Marafiq's regulatory team.

3.4.4.1 Water tariffs

Water

Regulated water tariffs currently remain at levels from previous tariffs made by the RC RWS. A regulatory price review commenced in 2012G and was led by RWS. The built-up accounting system was used for setting charges originally on an overall economic break-even basis (including cost of capital). Water tariffs for the period 2014G – 2016G were approved by the RC BODs.

A subsequent detailed price review process to set tariffs for the period 2017G – 2021G was undertaken. This was based on similar principles to the 2014G – 2016G review and further advanced through a series of consultations and information exchanges between the WERA, the RWS and Marafiq using regulatory principles from international experience such as the Office for Water Regulation (Ofwat) in the UK.

That process led to a proposed tariff increase of 9.56% being agreed between Marafiq and RWS with a final recommendation from RWS to RC being made in May 2017G. However, Com 542 assigned responsibility for regulating water services to the WERA before the approval process was completed and so the RWS forwarded the recommendation to the WERA for final approval. However, after further consideration, the WERA accepted that RC should continue to have regulatory responsibilities for the purposes of completing the water tariff final approval and Marafiq requested the RC to give final approval of the agreed tariffs. Subsequently, the RC BOD has approved the tariff increase, but the energy and water price reform committee is still considering the tariff increase, and final approval is pending.

An independent consultant’s report was submitted to RC and the Ministry of Energy, Industry and Mineral Resources (MEIM), (now Split between the MOE and MIMR), in September 2018G, suggesting that rather than an across-the-board tariff increase of 9.56%, there should be different price increases for different services to reduce the impact on customers, and reduce cross-subsidies, albeit retaining the same overall revenue requirement for Marafiq. The overall impact of this for Marafiq should be low, as the revenue requirement will be the same, while reducing cross-subsidies could reduce if entry is ultimately liberalised. The final details of tariffs are still being set.

Following the Water Law, in 2019G, the MEWA became the water service regulator. In 2021G, Marafiq approached RC BOD for approval of the water tariff and RC BOD consented to approval for industrial customers starting 1/1/2022G for five years. The RC BOD forwarded the package to authorities for approval and the MEWA issued a revenue requirements methodology for the water sector. As noted previously, the allowed revenue is expected to be on an efficient full-economic cost basis, with the final details being determined currently.

Consequently, Marafiq currently awaits approval to implement the requested tariff increases which are revised to reflect the most recent data and costs.

Recent regulatory changes in the KSA have created a mechanism for utilities to recover efficiently incurred costs which are not covered by regulated tariffs for non-industrial customers. Article 33 states that the regulator must review the water tariff regularly and take account of the service provider and their ability to operate efficiently and recover costs and return on capital investment. Marafiq has applied for admission to the Balancing Fund which is a form of compensation mechanism if tariffs do not cover efficient economic costs. The fund was outlined by the Ministry of Finance (MOF) and the Ministry of Water (MoW).

Table (3.10): Marafiq water tariffs (SAR per m³)

<table>
<tr><th>Water service</th><th>Area</th><th>Customer category</th><th>Consumption slab</th><th>2003-2009</th><th>2010-2013G</th><th>2014G-2015G</th><th>2016G</th></tr>
<tr><td rowspan="19">Potable water</td><td rowspan="19">Jubail & Yanbu</td><td rowspan="11">Residential</td><td>1-15</td><td rowspan="4">0.10</td><td rowspan="4">0.10</td><td rowspan="4">0.10</td><td>0.10</td></tr>
<tr><td>16-30</td><td>1.00</td></tr>
<tr><td>31-45</td><td>3.00</td></tr>
<tr><td>46-50</td><td rowspan="2">4.00</td></tr>
<tr><td>51-60</td><td rowspan="2">0.15</td><td rowspan="2">0.15</td><td rowspan="2">0.15</td></tr>
<tr><td>61-100</td><td rowspan="4">6.00</td></tr>
<tr><td>101-200</td><td>2.00</td><td>2.00</td><td>2.00</td></tr>
<tr><td>201-300</td><td>4.00</td><td>4.00</td><td>4.00</td></tr>
<tr><td>301 & above</td><td>6.00</td><td>6.00</td><td>6.00</td></tr>
<tr><td>Truck fill supply</td><td rowspan="2">5.00</td><td rowspan="2">5.00</td><td rowspan="2">5.00</td><td rowspan="2">5.00</td></tr>
<tr><td>Active construction water supply</td></tr>
<tr><td rowspan="7">Non-residential</td><td>1-50</td><td>0.10</td><td rowspan="5">6.60</td><td rowspan="5">7.34</td><td rowspan="5">7.34</td></tr>
<tr><td>51-100</td><td>0.15</td></tr>
<tr><td>101-200</td><td>2.00</td></tr>
<tr><td>201-300</td><td>4.00</td></tr>
<tr><td>301 & above</td><td>6.00</td></tr>
<tr><td>Truck fill supply</td><td rowspan="2">5.00</td><td rowspan="2">5.50</td><td rowspan="2">6.12</td><td rowspan="2">6.12</td></tr>
<tr><td>Active construction water supply</td></tr>
<tr><td colspan="2">Special tariff for export to Madina water Authority</td><td>5.07</td><td>5.07</td><td>5.64</td><td>5.64</td></tr>
<tr><td rowspan="5">Process water</td><td rowspan="5">Yanbu</td><td rowspan="5">Industrial</td><td>1-50</td><td>0.10</td><td rowspan="5">6.60</td><td rowspan="5">7.34</td><td rowspan="5">7.34</td></tr>
<tr><td>51-100</td><td>0.15</td></tr>
<tr><td>101-200</td><td>2.00</td></tr>
<tr><td>201-300</td><td>4.00</td></tr>
<tr><td>301 & above</td><td>6.00</td></tr>
<tr><td>Sea water cooling</td><td>Jubail & Yanbu</td><td>All</td><td>All (1)</td><td>51.62</td><td>56.78</td><td>63.13</td><td>63.13</td></tr>
</table>

Water service	Area	Customer category	Consumption slab	2003-2009	2010-2013G	2014G-2015G	2016G
Sanitary wastewater	Jubail & Yanbu	Residential	1-15	n/a	n/a	n/a	0.05
			16-30				0.50
			31-45				1.50
			46-60				2.00
			Above 60				3.00
	Jubail	Industrial	All	3.25	3.58	2.89	2.89
	Jubail	Commercial & government		n/a			
	Yanbu	Industrial		4.88	5.37	2.89	
	Yanbu	Commercial & government		n/a			
	Jubail Town	Received through pipeline network [2]		1.61	1.94	1.99	1.99
	Jubail Town	Received through tankers [3]	Tanker capacity <=5m³	10.00	10.00	10.00	10.00
			Tanker capacity >5m³ & <=10m³	15.00	15.00	15.00	15.00
			Tanker capacity >10m³ & <=15m³	20.00	20.00	20.00	20.00
			Tanker capacity >15 m³ & <=20m³	30.00	30.00	30.00	30.00
			Tanker capacity >20 m³	35.00	35.00	35.00	35.00
Industrial wastewater	Jubail	Industrial	All	2.36	2.60	3.32	3.32
	Yanbu			3.57	3.93		
Irrigation / reclaimed water	Jubail & Yanbu	Non-residential	1-300 m³	0.10	1.65	1.83	1.83
			Above 300m³	1.50			
		Royal Commission for Jubail & Yanbu	All	0.60	0.60	0.67	0.67

Note: tariffs apply per m³; tariffs apply per tanker rather than per m³ for Jubail Town Tankers

Source: Market Report

3.4.4.2 Power and single purpose Cogen-water production tariffs

Marafiq follows the national power tariff for all customer categories, except for industrial customers. This tariff is set by the WERA. The WERA (previously the ECRA), set tariffs for the SEC on a cost recovery net of subsidy basis and includes a standard Weighted Average Cost of Capital (WACC) estimation and capital recovery principles in its calculation.

The electricity tariff structure in Saudi Arabia remained largely unchanged between 2000G and 2010G, however, there have been major changes in the electricity tariff structures in June 2010G, January 2016G and January 2018G, respectively.

Full details of the tariff setting principles and procedure from the WERA to set the SEC tariffs have not been made available to the Market DD team, but some documents such as WACC principles and WACC estimation for the SEC tariffs were shared with London Economics demonstrating a standard regulatory best practice to capital remuneration. Thus, it is expected that a standard RAB x WACC type tariff setting is currently being considered for power and single purpose water. The expectation is the price control framework will be for three years.

The SEC outlined the regulatory reform as ensuring the sustainability and efficiency of the electricity sector in line with the goals of Vision 2030. Key elements of the regulatory reform include the revenue of the SEC being determined using a RAB from the beginning of 2022G, a WACC of 6% between 2021G-2023G and a balancing account which enables the SEC to meet its financial obligations by covering the difference between required and actual revenues.

The ECRA (now the WERA) released a general framework for the revenue requirement determination methodology that establishes an appropriate level of revenue to cover economic and efficiently occurred costs. This is outlined below:

- Company submits data to the WERA such as operational expenditures, net book value of fixed assets and annual value of pass-through costs like license fees and Zakat.
- Following review of the data by the WERA, the revenue requirement formula is applied (see Appendix 1).
- Companies and stakeholders can comment on initial determination.
- Final determination following stakeholder consultation and consideration as to whether to make changes for the next price control period.

Marafiq is in the process of making a revenue requirements submission to the WERA for the tariff making process, and further outputs from the tariff are expected in Q3 2022.

The tariffs are set by customer types and consumption bands within main customer type categories. The structure includes cross-subsidies to the smallest customers, but recent tariff reforms have reduced these greatly by increasing residential tariffs across all consumption bands.

The SEC as the national sole electricity provider has a more diverse mix of customers than Marafiq, including hard-to-serve residential customers, and the SEC needs to meet peak demand and reserve capacity and ancillary service requirements for the larger and more variable national grid system. Marafiq's mix of mostly industrial customers means a very stable and non-peaky load shape, making Marafiq's overall unit cost to serve potentially lower than the SEC's.

The currently envisaged future power regulation is expected to include lower prices to the most intensive-use electricity customers. It is expected that these lower tariffs will be cross subsidized with other customer tariffs. Currently, this may raise an issue for Marafiq as their customer base is not nearly as broad as SEC's, and thus the ability to finance the eligible customer tariffs with cross-subsidies by Marafiq is still under consideration. Customer eligibility for such tariff is yet to be decided.

The possible introduction of the Balancing Account may aid the regulatory required revenues for electricity. The Balancing Account will cover the difference between the required revenue and the revenue from approved tariffs. It will be a forward-looking model based on fair returns to investments and enabling long-term planning. The SEC states a new mechanism will be implemented to ensure timely payment of public sector electricity consumption.

Com 111 dated 14/2/1443H ensures service providers will be compensated for revenue reductions, therefore, Marafiq approached the WERA and the MOE who will find a compensation mechanism that allows recovery of the revenue gap. Based on early assessment and on load factor criteria, Marafiq may have cash flow issues and revenue reductions of around SAR 300m per year.

Com 111 gives direction to:

- Form a new Committee led by the MOE, with members from the MOF, the WERA and the Authority of Local Content to decide eligible activities
- Intense power tariff effective January 2022

Ministerial Committee for the Restructuring of the Electricity Sector is separate from the WERA and the RC and will decide on compensation.

The Electricity Law states that any government entity can transfer power of an asset to a service provider free of cost. The RC cannot transfer the assets without approval from the MOF, but the WERA has indicated this is a possibility. Marafiq is pushing for the transfer of assets free of cost.

In summary, the national tariff serves as the basis and the intense electricity tariff will give fixed/lower rates to intensive users, subsidized by less-intensive users all while utility providers should not be affected by the tariff as per Com 111.

Table (3.11): Marafiq power tariffs (SAR per Kilowatt Hour (KWh)) – Yanbu

<table>
<tr><th>Customer category</th><th>Consumption slab</th><th>2003-2009G</th><th>2010-2015G</th><th>2016G</th><th>2018G</th></tr>
<tr><td rowspan="8">Residential</td><td>1-2000</td><td>0.05</td><td>0.05</td><td>0.05</td><td rowspan="3">0.18</td></tr>
<tr><td>2001-4000</td><td>0.10</td><td>0.10</td><td>0.10</td></tr>
<tr><td>4001-6000</td><td>0.12</td><td>0.12</td><td>0.20</td></tr>
<tr><td>6001-7000</td><td>0.15</td><td>0.15</td><td rowspan="5">0.30</td><td rowspan="5">0.30</td></tr>
<tr><td>7001-8000</td><td>0.20</td><td>0.20</td></tr>
<tr><td>8001-9000</td><td>0.22</td><td>0.22</td></tr>
<tr><td>9001-10000</td><td>0.24</td><td>0.24</td></tr>
<tr><td>10001 & above</td><td>0.26</td><td>0.26</td></tr>
<tr><td rowspan="8">Commercial</td><td>1-2000</td><td>0.05</td><td rowspan="2">0.12</td><td rowspan="2">0.16</td><td rowspan="3">0.20</td></tr>
<tr><td>2001-4000</td><td>0.10</td></tr>
<tr><td>4001-6000</td><td>0.12</td><td rowspan="3">0.20</td><td rowspan="3">0.24</td></tr>
<tr><td>6001-7000</td><td>0.15</td><td rowspan="5">0.30</td></tr>
<tr><td>7001-8000</td><td>0.20</td></tr>
<tr><td>8001-9000</td><td>0.22</td><td rowspan="3">0.26</td><td rowspan="3">0.30</td></tr>
<tr><td>9001-10000</td><td>0.24</td></tr>
<tr><td>10001 & above</td><td>0.26</td></tr>
<tr><td rowspan="8">Government departments, schools, colleges & hospitals</td><td>1-2000</td><td>0.05</td><td rowspan="8">0.26</td><td rowspan="8">0.32</td><td rowspan="8">0.32</td></tr>
<tr><td>2001-4000</td><td>0.10</td></tr>
<tr><td>4001-6000</td><td>0.12</td></tr>
<tr><td>6001-7000</td><td>0.15</td></tr>
<tr><td>7001-8000</td><td>0.20</td></tr>
<tr><td>8001-9000</td><td>0.22</td></tr>
<tr><td>9001-10000</td><td>0.24</td></tr>
<tr><td>10001 & above</td><td>0.26</td></tr>
<tr><td rowspan="6">Agriculture, charitable societies & mosques</td><td>1-2000</td><td>0.05</td><td>0.05</td><td rowspan="2">0.10</td><td rowspan="4">0.16</td></tr>
<tr><td>2001-4000</td><td rowspan="2">0.10</td><td rowspan="2">0.10</td></tr>
<tr><td>4001-5000</td><td rowspan="3">0.12</td></tr>
<tr><td>5001-6000</td><td rowspan="3">0.12</td><td rowspan="3">0.12</td></tr>
<tr><td>6001-8000</td><td rowspan="2">0.20</td></tr>
<tr><td>8001 & above</td><td>0.16</td></tr>
<tr><td>Industrial customers – peak season</td><td>All</td><td rowspan="3">0.12</td><td>0.15</td><td>0.18</td><td>0.18</td></tr>
<tr><td rowspan="2">Industrial customers – off-peak season (1)</td><td>Contracted load <=1000KVA (all consumption)</td><td>0.12</td><td>0.18</td><td>0.18</td></tr>
<tr><td>Contracted load >1000KVA (all consumption)</td><td>0.14</td><td>0.18</td><td>0.18</td></tr>
<tr><td>Private health projects, national education projects</td><td></td><td></td><td></td><td></td><td>0.18</td></tr>
</table>

Note: (1) Peak season is from May to September

Source: Market Report

3.4.4.3 Sales gas distribution tariffs

The tariff for Sales Gas Distribution is set by the MOE. The MOE sets the tariff based on national sales pricing policy for hydrocarbons, plus allowances for cost and capital remuneration in the gas distribution and retail operations. The gas commodity cost is a pass-through and Marafiq requests other costs of sales based on unit costs and demand forecasts for a five-year period.

Marafiq must obtain prior approval from the MOE for the gas distribution tariff (service tariff) that the company may collect from customers. According to Marafiq's regulatory team, the tariff is determined at the level that allows full recovery of reasonable operating costs incurred by the Company, indirect expenses, administrative expenses, and capital investments, with an appropriate return on investment.[9]

The MOE reviewed the tariff and determined the appropriate tariff upon completion of the project and before commencing operations. The MOE may, at its discretion, make amendments to the applicable tariff, and establish mechanisms for service tariffs to support the efficiency of the operation and reduce the costs incurred by customers. There have not been any applied efficiency factors, or so-called X-factors, or indexation of the tariff to commodity prices or inflation. The company may apply to the MOE to review the tariff after two years of the tariff determination, along with the justifications for the request.

Table (3.12): Marafiq sales gas distribution tariffs (SAR per Metric Million British Thermal Unit (MMBTU))

Service line	Customer category	Consumption slab	2003-2009G	2010-2013G	2014G	2018G-2022G
Sales gas distribution	Industrial	All	n/a	3.7525	4.5	6.3750

Source: Market Report

3.4.5 Price regulation framework development

Marafiq is in the process of developing regulatory accounts which will serve for tariff making purposes. Following standard regulatory best practice Marafiq developed as best as possible separated 'ring-fenced' accounts by main business lines. Marafiq regulatory and corporate finance and accounting teams have developed the basis for allocating costs and revenues to the main business lines as described above. Joint costs are allocated as best as possible on a rational basis.

The booked financial accounting asset base is consistent with the ring-fenced accounts, and this forms the basis of what would be a standard regulated asset base (RAB). A standard WACC cost of capital approach is used to estimate the cost of capital and straight-line depreciation on the asset base (often called regulatory asset base or RAB in regulatory accounts) to determine capital charges on an economic basis. Further, cost accounting is broken into fixed and variable elements also allocated or ring-fenced as appropriate.

The result of this is that the currently existing sub-business financial accounts, and in particular booked asset accounts, would correspond to regulatory accounts that would be used as a standard tool in developing tariffs for different services within the utility's business. It thus can be surmised that previous tariff making efforts have largely approximated economic cost of service and fair estimates of regulated revenue requirements.

3.4.6 Ongoing policy changes

Saudi Arabia plans to privatise and reform the water and power industries as part of its Vision 2030 and National Transformation Program (NTP).

9 This is based on an unofficial translation of the Arabic to English provided by Marafiq's regulatory team.

Figure (3.4): Vision 2030 Objectives

Source: Vision 2030

The Vision 2030 objectives most relevant for the electricity sector are to 'grow the contribution of renewables' and to 'enhance competitiveness of the energy market' (see also Figure 1 in Section 2.1.3).

In addition to setting a target for renewable energy (9.45 Gigawatts (GW) by 2023G), the strategy also targets efficient water use through reducing consumption and utilizing treated and renewable water. The strategy enshrines the ambition to remove untargeted energy subsidies and states that "**free market prices shall, in the long term, stimulate productivity and competitiveness among utility companies and open the door to investment and diversification of the energy mix in the KSA.**"

In relation to economic cities, Vision 2030 reiterates the Government's commitment to support economic cities and its operators – such as the RC - to reach the cities' full potential, overcome historical hurdles, and attract quality investments as well as local and international talent.

The key relevant VRPs for the electricity and water sectors are:

- "National Transformation Program" (NTP): Improve quality of services provided in Saudi Arabian cities (utilities, public transports, etc.)
- "Financial Sector Development Program": Ensure the formation of an advanced capital market (e.g., primary market); enable financial institutions to support private sector growth (e.g., secondary market)
- "Privatization Program": Unlock state-owned assets for the Private Sector
- "National Industrial Development and Logistics Program": Grow contribution of renewables to national energy mix; enhance competitiveness of the energy market

The wide-ranging NTP is of specific relevance to the electricity sector and has given rise to an ambitious decarbonisation programme in energy generation, which is further specified in the King Salman Renewable Energy Initiative and the National Renewable Energy Program (NREP).

The King Salman Renewable Energy Initiative was launched in April 2017G and includes renewables target of 10% of electricity generated, relying mostly on solar and wind but potentially including nuclear at a later stage.

NREP is a strategic initiative under Vision 2030 and the King Salman Renewable Energy Initiative that aims to maximise the potential of renewable energy in Saudi Arabia. The NREP is managed and executed by the Renewable Energy Project Development Office (REPDO) under the MEIM and sets out a roadmap to rapidly diversify Saudi Arabia's electricity supply.

Components of the NREP are support for the energy technology industry and private sector investment in generation projects through public-private partnerships. In January 2019G, REPDO announced a target of 58.7GW of renewable capacity to be installed by 2030G. All projects tendered by REPDO are 100% IPPs that will be backed by 20 to 25-year PPAs. REPDO will lead the development of 30% of the total capacity, with the remainder being overseen by the PIF.

REPDO plans to hold six procurement rounds by 2023G, with Rounds 1 and 2 focused on solar Photovoltaic (PV) and wind with a small percentage of concentrated solar power (CSP). While it is expected that solar PV and wind will continue to dominate the energy mix in subsequent rounds, these rounds will feature an increasing percentage of solar CSP and waste-to-energy (WTE). The new capacity will be spread across some 28 sites, with projects falling roughly into three size classes: ≤50MW, 300-600MW and ≥1GW.

In 2018G, Round 1 project included the following, and the bids for the two projects set new records for Levelized Cost of Energy (LCOE): $1.99 (7.46 SAR) c/KWh for Dumat Al Jandal and $2.34 (8.78 SAR) c/KWh for Sakaka.

- Sakaka (300 MW solar PV)
- Dumat Al Jandal (400 MW solar PV)

REPDO announced 12 renewable energy projects with a total capacity of more than 3 GW to be tendered in 2019G (NREP Rounds 2 and 3). Round 2 consisted of six projects with a combined capacity of to 1.47 GW of solar PV and a value of SAR 5.25 billion:

- Qurrayat (200 MW solar PV)
- Rabigh (300 MW solar PV)
- South Jeddah (300 MW solar PV)
- Al Faisaliyah (600 MW solar PV)
- Rafha (20 MW solar PV)
- Madinah (50 MW solar PV)

Round 3, with a further six projects, launched at the end of 2019G. Lowest shortlisted bidders were 7.00 LCOE Half Hourly (HH)/kWh for Wadi al Dawaser, 11.19 LCOE HH/kWh for Layla, 5.62 LCOE HH/kWh for Ar-Rass and 5.56 LCOE HH/kWh for Saad.

- Layla (80 MW solar PV)
- Wadi Al Dawaser (120MW solar PV)
- Ar-Rass (700MW Solar PV)
- Saad (300MW Solar PV)

Rounds 4 and 5 are also set to move ahead with advisory roles being tendered on both phases.

3.5 Demand and supply analysis

3.5.1 Electricity and water demand in Saudi Arabia

The electricity and water sectors in the KSA are characterised by high per-capita requirements. The table below provides an overview of electricity and water demand for 2016G-2020G.

Total electricity sales in 2020G stood at 289,333 GWh. Total water consumption in 2018G stood at 25,992 million cubic meters, and the General Authority for Statistics states that per capita water use was 278 litres that same year. Overall, electricity demand in Saudi Arabia has increased at moderate rates (<1%) excluding 2019G, where demand fell by -3.5%. This movement in demand followed a reform to energy subsidies initiated in 2016G, and again in 2018G, that raised prices for bulk industrial and transportation fuels, as well as retail prices on energy products and services. The aim was to reduce Saudi Arabian's high use of energy per capita and encourage the adoption of more efficient energy machines such as air conditioners.

Table (3.13): Electricity and water consumption in Saudi Arabia

Variable	Unit	2016G	2017G	2018G	2019G	2020G
Electricity consumption	GWh	296,673	298,439	299,192	288,713	289,333
	Growth (%)	0.7	0.6	0.3	-3.5%	0.2
Residential electricity consumption per capita (1)	kWh	4,519	4,399	3,902	3,755	3,931
Water consumption	million m³	23,933	23,350	25,992	NA	NA
	million m³/day	65.4	64.0	71.2	NA	NA
	Growth (%)	-3.6	-2.4	11.3	NA	NA
Kingdom average per capita water use	Litres/day	270	265	278	NA	NA

Notes: (1) Per capita electricity consumption was calculated for residential electricity consumption only. (2) per capita water consumption was calculated for municipal water consumption only; note that this includes commercial consumption. Electricity consumption data was obtained from the ECRA's National Electricity Registry; water consumption data was obtained from the MEWA. Population estimates up to 2019G are based on the population estimates based on the Saudi Arabia General Authority for Statistics' Demographic Research Bulletin 2016 and obtained from the Saudi Central Bank (2015G-2018G) and the Saudi Arabia General Authority for Statistics (2019G). Population estimates from 2020G onwards are IMF WEO forecasts.

Source: Market Report

Residential electricity consumption per capita stood at 3,931 kWh per capita per year in 2020G, while municipal water consumption amounted to 278.1 litres per person per day in 2018G.

This daily demand per capita is considerably higher compared to other countries in the region and globally. For example, according to the SWPC, water demand (in terms of litres per capita per day) in 2018G stood at 141 in Oman, 210 in South Africa, 199 in the Netherlands, and 175 in Belgium.

The relatively high per capita water requirements in the KSA are driven by social customs and climatic considerations, high network (transmission and distribution) losses, inefficiencies within housing units, limited awareness on water use efficiency and limited price signalling. According to National Water Company (NWC) data, water losses are between 25% and 40% in large cities but it is difficult to ascertain a national loss figure due to "**different sources indicating varying amounts of technical and commercial losses, ineffective control system insulations and data collection as well as the water billing and collection system not being monitored effectively.**" However, the MEWA plans to reduce per-capita water consumption in the coming years by addressing network leakages and unauthorised access, launching awareness campaigns on water use efficiency, promoting supportive building codes, retrofitting, and other measures intended to reduce water demand, and introducing tariff reforms.

The tables below break down electricity sales by region and by type of supplier.

Table (3.14): Electricity sales, by region

Region	Service provider	Variable (unit)	2016G	2017G	2018G	2019G	2020G
Central	SEC	Sales (GWh)	90,286	90,800	85,359	83,989	86,422
		Share (%)	30.4	30.4	28.5	29.1	29.9
Eastern	SEC	Sales (GWh)	80,664	82,060	83,883	82,395	83,002
		Share (%)	27.2	27.5	28.0	28.6	28.7
Southern	SEC	Sales (GWh)	27,948	28,443	28,786	28,940	30,303
		Share (%)	9.4	9.5	9.6	10.0	10.5
Western	SEC	Sales (GWh)	88,794	87,354	91,902	84,839	81,400
		Share (%)	29.9	29.3	30.7	29.4	28.1
	Marafiq	Sales (GWh)	8,981	9,782	9,259	8,547	8,201
		Share (%)	3.0	3.3	3.1	2.9	2.8
Total		**Sales (GWh)**	**296,673**	**298,439**	**299,188**	**288,597**	**289,333**

Note: Regional figures might not add up to totals due to rounding. 2019G and 2020G separation of the SEC and Marafiq in the Western region was based on 2018G proportions.

Source: GAS (2016G-2020G)

Electricity sales are highest in the Western region of Saudi Arabia, which comprises the industrial city of Yanbu. Growth, in absolute terms, was highest in the Western region of Saudi Arabia, with total electricity sales increasing by over 5GWh between 2015G and 2018G.

The table below breaks down electricity by customer category. It shows that overall, residential customers represent the largest group in terms of electricity consumption, followed by industrial customers.

Table (3.15): Electricity consumption, by customer type

Customer category	Unit	2016G	2017G	2018G	2019G	2020G
Residential	Sales (GWh)	143,660	143,473	130,371	128,504	137,653
	Change (%)	-0.6	-0.1	-9.1	-1.4	7.1
Commercial	Sales (GWh)	48,225	48,349	46,333	46,104	41,071
	Change (%)	2.3	0.3	-4.2	-0.5	-10.9
Governmental	Sales (GWh)	38,498	38,666	47,593	40,716	36,189
	Change (%)	-3.0	0.4	23.1	-14.4	-11.1
Industrial	Sales (GWh)	53,587	54,863	58,204	56,624	57,879
	Change (%)	3.3	2.4	6.1	-2.7	2.2
Other	Sales (GWh)	12,702	13,089	16,690	16,764	16,538
	Change (%)	11.4	3.0	27.5	0.4	-1.3
Total	**Sales (GWh)**	**296,673**	**298,439**	**299,192**	**288,713**	**289,333**

Note: Customer categories might not add up to totals due to rounding.
Source: GAS (2016G-2020G)

3.6 Electricity and water supply in Saudi Arabia

3.6.1 Electricity and water supply by source

The table below provides an overview of installed electricity generation capacity by type of production.

Table (3.16): Electricity capacity by type of production (MW)

Type of production		2016G	2017G	2018G	2019G	2020G
Steam Generators	Capacity (MW)	19,350	21,988	22,488	22,382	22,359
	Growth (%)	15.3%	13.6%	2.3%	-0.5%	-0.1%
Gas Generators	Capacity (MW)	22,980	21,861	17,505	16,336	16,248
	Growth (%)	-5.4%	-4.9%	-19.9%	-6.7%	-0.5%
Combined Cycle Generators	Capacity (MW)	11,954	12,471	13,353	14,324	14,491
	Growth (%)	37.3%	4.3%	7.1%	7.3%	1.2%
Diesel Generators	Capacity (MW)	387	265	185	154	149
	Growth (%)	-3.0%	-31.5%	-30.2%	-16.8%	-3.2%
Solar	Capacity (MW)	-	3	3	3.25	3.3
	Growth (%)	-	-	0.0%	16.1%	1.5%
Other	Capacity (MW)	20,031	23,883	23,407	23,176	26,416
	Growth (%)	5.5%	19.2%	-2.0%	-1.0%	14.0%
Total	**Capacity (GWh)**	**74,702**	**80,471**	**76,941**	**76,376**	**79,666.3**
	Growth (%)	**8.0%**	**7.7%**	**-4.4%**	**-0.7%**	**4.3%**

Source: GAS (2016G-2020G)

Similarly, the table below provides water supply by source for the period 2019G-2023G. It shows that water demand in Saudi Arabia has been and will continue to be primarily served by means of seawater desalination.

Table (3.17): Water supply by source (million m³/day, 2019G-2023G)

	2019G[f]	2020G[f]	2021G[f]	2022G[f]	2023G[f]
Surface water	0.5	0.3	0.3	0.3	0.3
Groundwater	2.3	2.2	2.2	1.1	1.1
Desalinated water	7.0	7.5	8.7	10.5	9.7
Online	6.1	5.9	5.9	5.5	4.2
Under construction	0.8	1.4	1.4	1.4	1.4
Under tendering/study		0.2	0.2	2.4	2.8
NTP approved			1.2	1.2	1.2
Total	**9.8**	**10**	**11.3**	**12**	**11.2**

Note: Historical data on desalinated water production from the ECRA was obtained in terms of million m³. Figures were converted by dividing by 365 for normal years and 366 for leap years.

Source: Market Report

3.6.2 Marafiq's market share

In 2020G, Marafiq and its associated companies (30% of subsidiary JWAP) were responsible for 3.2% of Saudi Arabia's total electricity generation capacity (licensed MW) and 7.2% of the country's desalination capacity. Note that for the purposes of calculating the market share, generation capacity of subsidiary JWAP was attributed to Marafiq in proportion to Marafiq's shareholding (30%).

Marafiq is the sole service (transmission and distribution) provider of power and water services in the industrial city of Yanbu. In Jubail, Marafiq is the sole provider of water services, and SEC, purchases the power from Marafiq's jointly owned IWPP, and provides power services. Marafiq thus has a 100% market share in the industrial city of Yanbu for both power and water and a 100% market share for water services in the industrial city of Jubail. The table below provides further information of Marafiq's market share in terms of electricity sales and water sales looking at overall consumption in Saudi Arabia.

Table (3.18): Marafiq's share in the electricity and water markets

	Region	Customer category	2015G	2016G	2017G	2018G	2019G	2020G
Licenced electricity generation capacity (MW)	Saudi Arabia	All	3.0%	3.7%	3.3%	3.4%	3.4%	3.2%
Electricity sales (Megawatt Hour (MWh))	Saudi Arabia	All	2.9%	3.0%	3.3%	3.1%	3.1%	
	Western	All	8.9%	9.2%	10.1%	9.2%	9.2%	
	Saudi Arabia	Residential	0.3%	0.3%	0.3%	0.3%	0.3%	
		Commercial	0.2%	0.2%	0.2%	0.2%	0.2%	
		Government	0.7%	0.6%	0.6%	0.5%	0.6%	
		Industrial	13.0%	13.2%	13.9%	12.1%	12.5%	
		Others	8.8%	8.8%	10.6%	7.5%	6.8%	
	Western	Residential	0.9%	0.9%	0.8%	0.8%		
		Commercial	0.6%	0.6%	0.5%	0.6%		
		Government	2.3%	1.9%	2.0%	1.7%		
		Industrial	53.6%	53.6%	56.5%	49.3%		
		Others	32.9%	37.8%	42.5%	14.5%		
Licensed desalinated water production capacity (m³/day)	Saudi Arabia	All	7.4%	10.1%	9.5%	9.5%		
Desalinated water production (m³)	Saudi Arabia	All	6.6%	6.9%	6.1%	7.2%		
	Western	All	5.0%	6.2%	5.4%	7.7%		
	East	All	8.3%	7.5%	6.8%	6.8%		

Note: Generation capacity of subsidiary JWAP was attributed to Marafiq in proportion to Marafiq's shareholding (30%).

Source: Market Report

Marafiq expects to remain the sole supplier of regulated power and water services in Yanbu and the sole supplier of regulated water services in Jubail for the foreseeable future, thus maintaining its 100% market share in the two industrial cities.

Marafiq has also entered two relatively new industrial cities; RIC and JCPDI, where it will provide water and power utility services in the former and power services in the later. This will increase Marafiq's total market share for electricity and water service provision. According to the Marafiq Business Plan, in 2022G, RIC is expected to see average demand of 24,000 m^3/d in seawater cooling, 4,000 m^3/d in potable water, and 1,000 m^3/d in industrial wastewater. This demand is projected to increase slightly in further years and will increase Marafiq's share of water supply services. Similarly, JCPDI also forecasts average demand of 36,590 m^3/d in 2022G across its seawater cooling, wastewater, and potable water services. Marafiq will also act as electricity distributor in the industrial city where average demand is expected to be 57.5 MW.

The two new cities will be served largely based on the business models applicable in Yanbu and Jubail, with the exception that, in the above two named cities, Marafiq may not have its own power generation facilities and, therefore, will rely on purchasing power from the principal buyer on the national grid.

3.6.3 Competition analysis

3.6.3.1 Market entry conditions and barriers

The electricity and water sectors in Saudi Arabia are regulated industries and all electricity and water service providers must hold a licence from the Government. Currently, Marafiq holds the sole licence for providing power and water related services in the industrial cities of Yanbu and water related services to the city of Jubail and as such does not face any real competition in its core regulated utility business lines, water, electricity, and gas, in Jubail and Yanbu. Table 19 provides an overview of Marafiq's existing licenses.

Table (3.19): Marafiq's and associated companies' licences

License	Licenses number	Date of issue	Expiry date
Marafiq -Cogeneration License for Yanbu	200608-R	21/06/2008	20/06/2033
Marafiq Power Transmission License	320210-R	27/02/2010	26/02/2035
Marafiq Power Distribution & Retail Supply License	330210-R	27/02/2010	26/02/2035
Water Desalination License JY	400412-R	27/05/2019G	26/05/2020G
Construct, holding and operate a local dry gas distribution network in the light industry area in Yanbu Industrial city	8	01/07/1427 H	30/06/1452 H

Source: Market Report

The combination of legal, permitting, and technical limitations means that entry and/or self-supply in water are not possible in the immediate term without new licenses or permits being issued.

In electric power, while merchant entry is not possible, it is currently legally and technically possible to self-supply. This could occur if production and use is maintained in the same station, or by wheeling power on the transmission grid to one's own operations. Our understanding is that this is possible on the SEC grid and on Marafiq's grid in Yanbu, and that indeed Aramco produces some power for Aramco's own use in Yanbu. Aramco's power production is supplied to its own operations, but excess power is sold to Marafiq and exported to Marafiq's grid at fixed prices.

Marafiq also sells power to itself at arms-length agreements based on the industrial tariff. Marafiq received an approval in principle from the WERA to wheel its power (up to 70 MW) from Yanbu to its eligible user (Seawater for Industrial Cooling, at transmission voltage) in Jubail. Marafiq formed an agreement with the Saudi National Power Transmission Company and the Principal Buyer (Saudi Power Procurement Company) which will enable them to use the national transmission grid to self-supply power from Yanbu to Jubail.

3.6.3.2 Requirements to serve and cross subsidies

Marafiq, as the sole provider of water services in both Jubail and Yanbu, and as the sole utility provider of power in Yanbu, is required to serve customers meeting standard connection and service eligibility conditions at the regulated tariffs.

The current tariff and cost structure entails cross-subsidies: from Jubail to Yanbu, from industrial customers to residential customers, and from potable water and sea water cooling to wastewater. The conclusions about directions of cross-subsidies are based on the current billing and tariffs versus ring-fenced allocated cost accounts, including depreciation and cost of capital. Recent rises in residential electricity tariffs have reduced the cross subsidy to residential electricity consumers.

The existence of cross subsidies and requirements to serve or long-term contract obligations entail a risk to the company of so-called 'cream-skimming' via entry or via self-supply. Cream-skimming is a standard regulatory risk, which may occur when a company has a price-cost structure that entails cross-subsidies, especially if selected entry is allowed or competitive or technological by-pass is possible. New entrants or new technologies can 'skim' the best or most profitable sectors of the business, leaving regulated utilities with an obligation to serve such as Marafiq with less room for cross-subsidisation of the less profitable customer segments. This risk to Marafiq is perhaps lower than in the case of the SEC or other utilities because: (a) Marafiq's customer base is largely industrial, implying a large base by which residential cross-subsidies can be funded; (b) entry or self-supply in Jubail and potable water is either not possible or subject to the WERA licensing; and (c) Marafiq is the sole supplier of sea water cooling in Jubail and Yanbu.

3.6.3.3 Non-regulated activities

While Marafiq is not expected to face any competition for its core regulated utility business lines i.e., water, electricity, and gas in either Jubail or Yanbu, competition is expected to be strong for bidding for unregulated activities and contracts in areas outside the RC's cities.

3.7 Further analysis of Marafiq's current and expected future demand

3.7.1 Demand structure

Marafiq's demand is generally less variable and more predictable than standard utilities due to its customer mix. Historically, demand forecast accuracy is above the 90% level because of a proven demand forecast methodology.[10] Marafiq's clients are mainly industrial and corporate entities, who tend to have steady consumption levels, high operating rates and higher tariffs compared to other customer categories. They also tend to be more prompt in making payments than the retail/household segment. Overall Marafiq demand is expected to have a compounded annual growth rate of approximately 4% between 2022G and 2026G. [11]

Marafiq's biggest clients are its shareholders, with approximately 77% of revenue being derived from the RC, SABIC, SAPCO, and their joint ventures.[12]

Given the nature of the industrial cities of Jubail, Yanbu, RIC and JCPDI, a substantial amount of the demand for various Marafiq utility services comes from specific industries. In both Yanbu and JCPDI, most of Marafiq's customers are in the manufacturing sector. In Jubail and RIC, a majority come from the chemicals sector. These industries typically use process-based production. This partly explains the flat nature of the industrial utilities' demand in these cities, as for example, total power demand does not exhibit peaks and troughs associated with most power systems integrating commercial, industrial, and residential consumers more fully. The balance of demand is mainly from the residential, governmental, and commercial sector, the growth of which is again linked to the performance of the existing, and development of new, industries.

Over half of Marafiq's customers in Jubail operate in the chemicals sector. Another 18% specialise in the manufacturing industry and a 6% are refineries. JCPDI and RIC are relatively new industrial cities where Marafiq has started to operate. All customers in RIC are in the chemicals industry while all customers in JCPDI are in the metal manufacturing industry. About 36% of Marafiq's customers in Yanbu are in the non-metallic manufacturing sector; 11% operate in oil and gas refining and processing; and 15% are in the chemical industry. Finally, over a fifth of Marafiq's customers in Yanbu are in miscellaneous services sectors (e.g., accommodation, human health).

Table (3.20): Marafiq's top customers – Jubail, Yanbu, Jazan and RIC

Location	Jubail		Jazan and RIC		Yanbu	
Activity	Companies	Sectoral Share	Companies	Sectoral Share	Companies	Sectoral Share
Chemicals	36	55%	2	50%	17	15%
	Petrochemicals	14				7
	Other chemicals	22		2		10
Oil and Gas refinery and processing	4	6%			13	11%
Manufacture of metals	10	15%	2	50%	7	6%
Manufacture of non-metallic products	8	12%			42	36%

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12 As of 2018G

Location	Jubail		Jazan and RIC		Yanbu	
Activity	Companies	Sectoral Share	Companies	Sectoral Share	Companies	Sectoral Share
Services	6	9%			24	21%
Other	2	3%			13	11%
Total	**66**	**100%**	**4**	**100%**	**116**	**100%**

Note: in the case of Jubail, the set of customers is made up of all unique customers that were among the top 25 customers within each division of Marafiq's activities. Divisions are as follows: Industrial water, potable water, sea water, industrial waste, sanitary waste, reclaimed water.

Source: Market Report

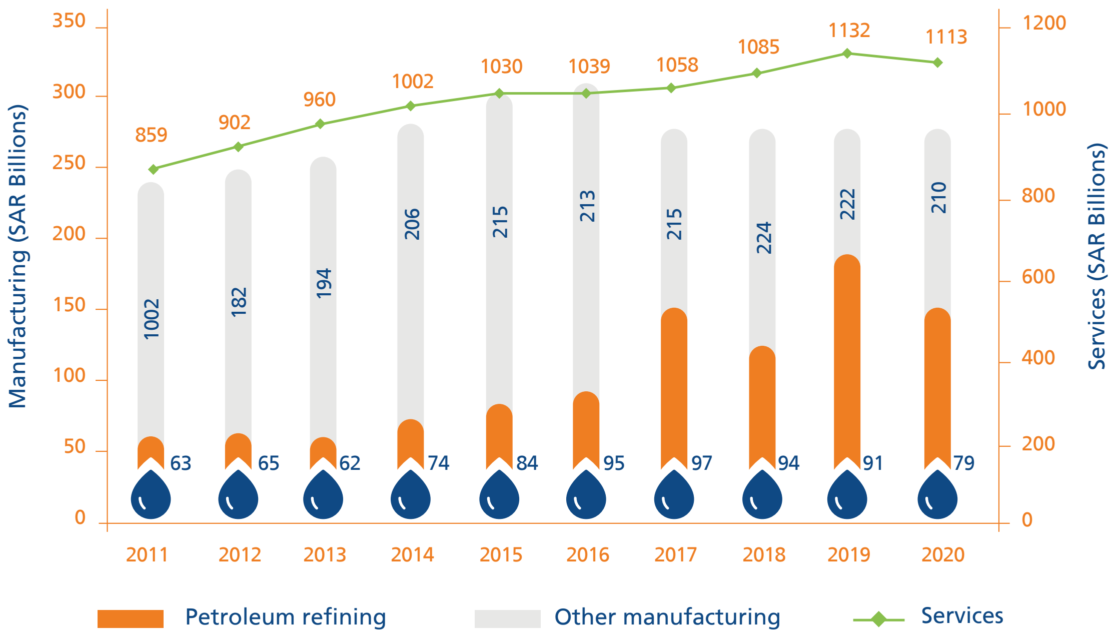
3.7.2 Local demand drivers

3.7.2.1 Growth in existing service areas

As described above, a substantial amount of the demand for various Marafiq utility services in Marafiq's existing service areas comes from specific industries, and hence future demand for Marafiq's services is to a large extent driven by developments in those sectors and upcoming industries.

Most of Marafiq's customers in the industrial cities of Jubail and Yanbu are in the manufacturing sector, and almost one in six of its customers in Jubail are in the services sector. Manufacturing output saw a steady increase until 2019G and 2020G, where output decreased in both years. The output of services also saw a decline in 2020G. Output from petroleum refining has moderately decreased since 2018G. This was initially offset by growth of other manufacturing output that same year, resulting in a 2.1% growth rate of manufacturing GDP in the same year, but in following years the manufacturing sector output has declined.

Figure (3.5): GDP from manufacturing and service activities



Note: 2018G data is preliminary. 'Services' include Wholesale & Retail Trade, Restaurants & hotels; Transport, Storage & Communication; Finance, Insurance, Real Estate & business services; Community, Social & Personal Services; Imputed Bank Services Charge; Government Services. Sectors not included in this analysis are Agriculture, Forestry & Fishing; Mining & Quarrying; Electricity, Gas and Water; Construction.

Source: GAS (2011G-2020G)

Chemicals

The GCC chemical industry grew by 1.2% in 2020G, significantly lower than the historical average of 5.9% growth. Saudi Arabia continues to dominate production capacity in the region, producing 74.8% of chemical output. The compound annual growth rate (CAGR) in Saudi Arabia was 7.5% for the period 2012G-2020G and in 2020G, Saudi Arabia's chemical industry contributed to 3% of the country's GDP (above the GCC average of 2.6%).

The GCC countries saw a fall in consumption of natural gas, propane, and crude oil from 2018G-2020G, but experienced an increase in consumption of butane, ethane and methane in the same period. GCC chemical revenues decreased in both 2019G and 2020G by 18.4% and 20.9% respectively. This is largely driven by depressed commodity prices in 2019G, and COVID-19 related economic slowdown in 2020G which caused less demand for petrochemicals which constitute 33% of revenues for the GCC chemicals industry alone in 2020G.

Oil and Gas refinery and processing

In 2021G, "global refining capacity fell for the first time in 30 years, by 730,000 BBL/d, as new capacity was outweighed by closures."

Oil demand is set to grow in 2022G by 3.2m BBL/d to reach 100.6m BBL/d while natural gas demand is forecast to increase by an average 1.5% from 2019G to 2025G.

At the same time, annual demand growth is forecasted to decline, due in part to a growing market for alternative energy sources such as biofuels. Consequently, utilization rates are forecasted to decline. In the longer term, the growth in electric car market is expected to reduce demand for road fuel, which currently makes up approximately half of demand. The Red Sea Development company will rely on biofuel to operate its tourist facilities. 25 biofuel generators are to be supplied by MAN Energy Solutions with an energy capacity of 112 MW.

Furthermore, demand is shifting towards low-sulphur fuel since the adoption of the 2020G International Convention for the Prevention of Pollution from Ships (MARPOL), which will limit the sulphur content of marine fuels to 0.5%, down from 3.5%. The implementation of MARPOL will have a differential impact on refineries depending on their operational ability to convert residual materials.

Manufacture of non-metallic products

Most of Marafiq's customers in non-metallic manufacturing specialise in the gypsum and glass industries. Gypsum demand grew at 3.1% CAGR between 2016G and 2020G and the gypsum market is forecast to exceed $4b (SAR 15b) in 2021G due to growing construction requirements worldwide (15b SAR). Future Market Insights predicts a CAGR of 6.25 between 2021G and 2031G.

The global flat glass market is also expected to grow in the near-to-medium term. The market was worth $97b (SAR 364b) in 2021G (363.7b SAR) and Mordor Intelligence forecasts a CAGR of 5.48% between 2022G-2027G. Like gypsum, demand largely comes from the construction industry. Most demand is predicted to come from the Asia-Pacific region. An earlier study by Global Market Insights had forecasted a CAGR of 7.1% between 2017G and 2024G. In the Middle East and Africa, the market is forecasted to grow at a CAGR of 6.9% between 2019G and 2024G.

Manufacture of basic metals

Most of Marafiq's customers in metal manufacturing conduct steel-related activities. Steel consumption decreased by 2.1% in the first 8 months of 2020G compared to 2019G due to the COVID-19 pandemic and economic slowdown that would have prevented new builds and the requirements for steel. However, growth is predicted to bounce back in 2021G to 4.1% growth. The OECD expect steel consumption to have fallen more in the middle east region than anywhere else in 2020G with reductions of 19.5%. Forecasted CAGR for 2021G-2031G is expected to be 3.9%. Vision 2030 projects are expected to drive strong demand in Saudi Arabia to 20.3 million tons by 2030G.

3.7.2.2 New service areas

The renewable energies market is gaining traction in Saudi Arabia and has been included in the Vision 2030 plan. Marafiq plans to move in the same direction by adopting emerging technologies and offering sustainable tariffs to customers. This can be seen in their plan to reduce GHG emissions by 10% by 2026.[13]

Marafiq is also looking to acquire non-regulated utilities businesses beyond the RC areas in which it currently operates.[14] Between 2022G and 2026G, the SWPC is planning to float tenders for various IWPs, ISTPs, IWTPs, and Independent Strategic Water Reservoirs (ISWR). Marafiq seeks to participate in these projects given its experience and available capacity. Potential projects are listed in the next table.

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Table (3.21): Future projects for power generation in the Kingdom of Saudi Arabia

Project	Capacity (Megawatt)	Status
Tabuk 1 IWP	3,600	Bidding stage
Rak 2 IWP	3,600	Bidding stage
Jubail 4 IWP	500	Bidding stage

Table (3.22): Upcoming Projects in the KSA

Project	Capacity (m^3/day)	Status
Tabuk 1 IWP	400,000	TBA
Rak 2 IWP	600,000	TBA
Jubail 4 IWP	300,000	TBA
Ras Tanura IWWTP	20,000	Q2 2025
Haer ISTP	200,000	TBA
Jazan 1 IWP	300,000	TBA
Ras Muhaisan IWP	300,000	TBA
Juranah IWSR	2,500,000	May 2024
Rabigh 4 & 5 IWP	600,000 & 500,000	TBA
Amasia	112-142 MW PW: 50,000-59,400 M^3/Day STP: 7,750-8,200 M^3/Day	June 2024
Neom IWP	200,000	TBA

Source: Marafiq Business Plan 2022G-2026G

Simultaneously Marafiq through its Operations & Maintenance (O&M) subsidiary Marafiq Saur Operations and Maintenance Company (MaSa), is also exploring the potential to involve in the long-term O&M contracts to be announced for the operation of plants and associated networks in the kingdom given the management endorsement.[15]

Marafiq also seeks to expand its operations within the RC regions. Marafiq has been selected as the power and water utility service provider for RIC and Jazan City for Primary and Downstream Industries (JCPDI). Providing sales gas distribution service in RIC is also actively being pursued. The MOE has put on hold Marafiq's application for power transmission, power distribution, and retail supply licenses in RIC, currently, the SEC remains the provider of power.

Marafiq is also in active interaction with SEC, Saudi National Grid Company, and Saudi Power Procurement Company (Principal Buyer) to reach modalities for transfer of assets, customers, and operating model in the area. Based on exchanges between Marafiq and the RC, it is expected that Marafiq will offer the following services in RIC:

- Utility O&M in the city
- Potable water production and supply
- Wastewater collection and treatment facilities
- Construction of a shuttle pipeline for potable water connecting JIC and RIC water for more reliable supply of PW in both cities
- Utilisation of land for future power/water generation plants

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It is currently not foreseen that Marafiq will provide seawater cooling services in RIC as seawater users such as MAADEN Phosphate and MAADEN Aluminium do not currently require supply from a RC system. However, the overall city design makes provision to be able to supply seawater cooling services in the future if required.

Marafiq was further assigned to provide Utility services in JCPDI. As per understanding reached between the MEIM, the RC, the WERA, the SEC, and Marafiq, it has been agreed between all to transfer power services at JCPDI to Marafiq and take all necessary actions for smooth implementation thereof. Marafiq has secured power distribution and retail supply licenses from the WERA. Marafiq had formally applied for, and recently received, a power transmission license to the WERA to be a service provider in the area.

Marafiq is also in active interaction with the SEC, Saudi National Grid Company, and Saudi Power Procurement Company (Principal Buyer) to reach modalities for transfer of assets, customers, and operating model in the area. Based on exchanges between Marafiq and the RC, it is expected that Marafiq will offer the following services in JCPDI:

- Power and water utility O&M
- Potable water production and supply
- Wastewater collection and treatment facilities
- Potentially seawater cooling services
- Upcoming areas of expansion in the RC region are shown on the following table.

Table (3.23): Upcoming Projects in Yanbu, RIC and Jubail

Yanbu	RIC	Jubail
Renewable power in RCY	Gas distribution network	Wastewater reuse
Discharge brine utilization		PlasChem Value Park (Gas, Firewater, Steam)
Sludge recycling with SIRC		Gas distribution project in Jubail II
		Amiral IWWTP
		Amiral cooling water tower

Source: Marafiq Business Plan 2022G-2026G

3.7.3 Historical and forecasted supply

The following paragraphs provide an overview of Marafiq's historical (2013G-2017G) and forecasted (2018G-2026G) supply of electricity and water services, measured in terms of quantities sold/treated.

The information is sourced from Marafiq's latest business plans (2019G-2023G), (2022G-2026G) and revenue plan (2019G-2028G). Figures obtained from the two sources are not directly comparable due to: (a) the former focus on total sales whereas the latter are based on external sales and (b) some minor differences in aggregation. Total sales, which include unbilled quantities as well as quantities sold or used internally, are important from a capacity planning perspective. External sales, which exclude unbilled quantities and internal sales, are more relevant from a cashflow perspective.

Table (3.24): Total sales by service line – Jubail

	Units	2013G	2014G	2015G	2016G	2017G	2018G[f]	2019G[f]	2020G[f]	2021G[f]	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
Potable water	million m^3	101.7	110.1	115.4	117.5	114.2	112.4	116.9	120.6	121.8	140.5	150	152.3	153.3	154
Sea water cooling	million m^3	6,159	6,046	6,039	6,249	5,692	5,906	6,033	6,069	6,068	6,561	6,649	6,746	6,745	6,754
Industrial wastewater	million m^3	27.6	31.2	31.3	36.0	44.0	42.7	44.2	44.9	45.1	47.8	48.5	49	49.3	49.3
Sanitary wastewater	million m^3	31.2	40.2	44.7	43.8	45.2	43.2	45.9	46.6	47.6	46.4	48.5	51.6	52.9	54.4

Note: f indicates forecast. Total quantities include both quantities sold externally and internally, as well as any unaccounted-for quantities. Forecasts 2018G-2021G are from the Marafiq Business Plan 2019G-2023G. Forecasts 2022G-2026G are from the Marafiq Business Plan 2022G-2026G.

Source: Market Report

Table (3.25): Total sales by service line – Yanbu

	Units	2013G	2014G	2015G	2016G	2017G	2018G	2019G[f]	2020G[f]	2021G[f]	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
Power	GWH	5,997	6,652	8,576	7,575	9,835	9,030	8,847	9,548	9,843	9,505	10,065	10,435	11,055	11,975
Sales gas	MMSCFD										39	43	43	43	43
Potable water	million m^3	20.1	21.3	19.9	19.6	21.1	21.0	21.9	22.6	22.8	20.5	21.6	21.4	22.8	23.6
Process water	million m^3	20.0	23.5	28.1	29.2	30.8	28.8	29.9	30.6	31.2	27.9	29.1	30.3	30.8	31.8
Seawater cooling	million m^3	3,079	3,559	4,052	3,796	4,885	4,210	4,380	4,631	4,639	4,503	4,914	5,016	5,019	5,265
Y1											3,145	3,241	3,338	3,294	3,486
Y2											1,358	1,673	1,678	1,726	1,778
Industrial wastewater	million m^3	9.0	10.6	13.1	13.6	13.7	14.9	16.3	17.0	17.3	14.2	14.6	15	15.3	16.4
Sanitary wastewater	million m^3	8.0	8.3	9.0	8.2	7.7	6.8	7.6	8.0	8.2	8.4	9.1	9.1	9.5	9.8

Note: f indicates forecast. Seawater cooling 2022G-2026G is a combination of Y1 and Y2 seawater cooling figures. The figures for potable and process water were combined in the Marafiq Business Plan 2022G-2026G and have been separated here using proportions for 2023G from the Business Plan 2019G-2023G.

Source: Market Report

Table (3.26): Total sales by service line – Ras Al-Khair

	Units	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
Potable water	million m^3	1.4	1.8	2.5	3.2	3.6
Sea water cooling	million m^3	8.7	26.3	26.3	26.3	26.3
Industrial wastewater	million m^3	0.36	0.36	0.73	0.73	0.73
Sanitary wastewater	million m^3	-	-	0.36	0.36	0.36

Note: f indicates forecast

Source: Marafiq Business Plan 2022G-2026G

Table (3.27): Total sales by service line – Jazan City for Primary and Downstream Industries

	Units	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
Power (Imported)	GWh	503.7	613.2	614.9	613.2	613.2
Potable water	million m^3	0.007	0.015	0.018	0.018	0.018
Sea water cooling	million m^3	13.2	35.9	45.5	45.4	45.4
Wastewater	million m^3	0.12	0.33	0.41	0.41	0.41

Note: f indicates forecast

Source: Marafiq Business Plan 2022G-2026G

Potable and Process Water

Potable water sales in Jubail are expected to grow on average by 2.4% in terms of quantity in the period 2022G-2026G. Growth is expected to decrease from an average annual rate of 5.1% in the period 2023G-2024G to an average annual rate of 0.5% in the period 2025G-2026G.

In Jubail, most of Marafiq's sales are made to industrial customers, which are forecasted to account for approximately 82% of quantities (in m³) sold each year between 2022G and 2026G. However, this proportion is declining from 82.2% in 2022G to 81.3% in 2026G, mostly due to an increase in the share of sales to residential customers, which is forecasted to rise from 12.3% in 2022G to 13.4% in 2026G.

Potable water sales in Yanbu are expected to average 3.8% in terms of quantity. Volumes sold are expected to decline from 5.2% in 2022G to 1.8% in 202G.

Process water sales in Yanbu are expected to grow at an average annual rate of 3.4%.

Table (3.28): Potable and processed water forecast

	Unit	2022Gf	2023Gf	2024Gf	2025Gf	2026Gf
Jubail (Potable Water)						
External Sales	million m³	123.8	131.0	136.7	137.4	138.2
Growth	%	0.0%	5.8%	4.4%	0.5%	0.5%
Share of External Sales						
Industrial	%	82.2%	82.4%	81.8%	81.5%	81.3%
Residential	%	12.3%	12.3%	13.0%	13.2%	13.4%
Commercial	%	2.6%	2.6%	2.5%	2.5%	2.6%
Government	%	2.9%	2.8%	2.7%	2.7%	2.7%
Yanbu (Potable Water)						
External Sales	million m³	12.1	12.8	13.5	13.9	14.1
Growth	%	0.0%	5.2%	5.3%	2.8%	1.8%
Share of External Sales						
Industrial	%	31.8%	33.2%	34.9%	35.3%	34.7%
Residential	%	47.2%	46.7%	46.1%	46.7%	47.7%
Commercial	%	6.0%	5.8%	5.6%	5.6%	5.6%
Government	%	14.7%	14.0%	13.1%	12.2%	11.8%
Mosques	%	0.3%	0.3%	0.3%	0.3%	0.3%
Agriculture	%	15.0%	14.3%	13.4%	12.5%	12.0%
Yanbu (Processed Water)						
External Sales	million m³	24.2	25.1	26.0	26.3	27.3
Growth	%	0.0%	3.8%	3.7%	0.9%	3.8%

Note: f indicates forecast

Source: Market Report

Sanitary wastewater

Sales growth in the sanitary wastewater service line is expected to average 4.3% in Jubail between 2022G and 2026G in terms of quantity. Growth rates are expected to follow a moderate decline from an average of 7.3% in the period 2023G-2024G to an average of 1.7% in the period 2025G-2026G.

In Jubail, the main customer in terms of quantities billed is Jubail Town (residential and commercial sales), which is expected to account for just under 90% of sales between 2022G and 2026G.

Quantity growth in the sanitary wastewater service line is expected to average 4.3% in Yanbu across the period 2022G-2026G in terms of external collection. Growth rates are expected to decrease from an average of 4.9% in the period 2023G-2024G to an average of 2.8% in the period 2025G-2026G.

In Yanbu, approximately 70% of external collection is expected to be derived from residential customers. Industrial customers account for 18.2% of external collection in 2022G decreasing to 17.4% of external collection in 2026G.

Table (3.29): Sanitary wastewater forecast

	Unit	2022G^f	2023G^f	2024G^f	2025G^f	2026G^f
Jubail						
External Sales	million m^3	21.4	22.6	24.6	25.0	25.5
Growth	%	0.0%	5.8%	8.8%	1.6%	1.8%
Share of External Sales						
Industrial	%	7.5%	7.4%	7.1%	7.0%	6.9%
Residential	%	70.9%	71.1%	72.3%	72.5%	72.8%
Commercial	%	18.2%	18.1%	17.5%	17.4%	17.2%
Government	%	3.5%	3.4%	3.1%	3.1%	3.1%
Yanbu						
External sales	million m^3	8.2	8.7	9.0	9.2	9.5
Growth	%	0.0%	6.0%	3.7%	2.7%	2.9%
Share of External Sales						
Industrial	%	18.2%	18.6%	18.2%	17.9%	17.4%
Residential	%	69.1%	69.3%	70.1%	70.9%	71.7%
Commercial	%	4.0%	3.9%	3.9%	3.9%	3.8%
Government	%	8.7%	8.2%	7.7%	7.3%	7.0%
Mosques	%	0.01%	0.01%	0.01%	0.01%	0.01%
Agricultural	%	0.0%	0.0%	0.0%	0.0%	0.0%

Note: f indicates forecast.

Source: Market Report

Industrial wastewater

Sales in the industrial wastewater service line are expected to grow by 0.8% on average in Jubail in the period 2022G-2026G, falling from 2.0% growth in 2022G to 0.0% in 2026G. In Yanbu, growth is expected to average 3.8% in the period 2022G-2026G, increasing from 2.3% in 2022G to 6.1% in 2026G.

Table (3.30): Industrial wastewater forecast

	Unit	2022Gf	2023Gf	2024Gf	2025Gf	2026Gf
Jubail						
External sales	million m³	44.7	45.6	46.2	46.1	46.1
Growth	%	0.0%	2.0%	1.3%	-0.2%	0.0%
Yanbu						
External sales	million m³	10.6	10.8	11.1	11.5	12.2
Growth	%	0.0%	2.3%	2.9%	3.3%	6.1%

Note f indicates forecast. This is based on external sales only (i.e., it does not include internal sales). Treated but unbilled units are not included in the volume forecasts.

Source: Market Report

Irrigation Water

Irrigation water sales in Jubail are expected to grow at a stable average annual growth rate of 2.1% in the period 2022G-2026G. Most of Marafiq's irrigation water sales in Jubail are made to government customers, which are forecasted to make up over 98% of external sales over the period 2022G-2026G. Industrial and commercial customers are respectively expected to account for 1.4% and 0.5% of external sales over the time period.

Irrigation water sales in Yanbu are expected to grow at an average annual rate of 2.0% across the period 2022G-2026G, decreasing from an average of 2.6% growth in 2023G to 1.8% growth in 2026G.

Government customers are forecasted to account for approximately 89% of Marafiq's irrigation water sales between 2022G and 2026G. Industrial customers are expected to account for the second largest share of revenue, making up over 8.6% of sales forecasted for the period 2022G-2026G. Commercial customers are expected to make up 2.6% of sales across the same period.

Table (3.31): Irrigation water forecast

	Unit	2022Gf	2023Gf	2024Gf	2025Gf	2026Gf
Jubail						
External sales	million m³	32.2	33.4	34.0	34.3	34.8
Growth	%	0.0%	3.8%	1.8%	0.9%	1.6%
Share of External Sales						
Industrial	%	1.5%	1.4%	1.4%	1.4%	1.4%
Residential	%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	%	0.5%	0.5%	0.5%	0.5%	0.5%
Government	%	98.0%	98.1%	98.1%	98.1%	98.2%
Yanbu						
External sales	million m³	9.9	10.2	10.4	10.6	10.8
Growth	%	0.0%	2.6%	1.8%	1.8%	1.8%
Share of External Sales						
Industrial	%	8.4%	8.9%	8.8%	8.6%	8.4%
Residential	%	0.0%	0.0%	0.0%	0.0%	0.0%
Commercial	%	2.6%	2.6%	2.6%	2.6%	2.5%
Government	%	89.0%	88.5%	88.6%	88.8%	89.0%

Note: f indicates forecast. This is based on external sales only (i.e., it does not include internal sales).

Source: Market Report

Power

Marafiq's power sales in Yanbu are expected to grow on average at 6.5% in terms of volume in the period 2022G-2026G.

Most of Marafiq's local power sales is expected to come from industrial customers, which are expected to account for approximately 91% of Marafiq's external sales on a yearly basis over the period between 2022G and 2026G. Residential customers are expected to account for 4.7% of quantities sold over the same time period.

Table (3.32): Power forecast

	Unit	2022Gf	2023Gf	2024Gf	2025Gf	2026Gf
Yanbu						
External sales	GWH	8,249.6	8,744.7	9,076.8	9,628.5	10,452.4
Growth	%	0.0%	6.0%	3.8%	6.1%	8.6%
Share of External Sales						
Industrial	%	91.0%	91.3%	91.3%	91.6%	92.0%
Residential	%	4.9%	4.8%	4.8%	4.6%	4.4%
Commercial	%	1.2%	1.1%	1.1%	1.1%	1.0%
Government	%	2.9%	2.8%	2.8%	2.7%	2.5%
Agriculture	%	0.02%	0.02%	0.02%	0.02%	0.02%
Mosques	%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: f indicates forecast. This is based on external sales only (i.e., it does not include internal sales). Exports are included in total quantities.

Source: Market Report

Sea Water Cooling

Sales in the sea water cooling service line are expected to average 0.7% growth between 2022G and 2026G, in Jubail. Sales in the sea water cooling service lines at Yanbu 1 and Yanbu 2 are expected to average 2.1% growth between 2022G and 2026G.

Table (3.33): Sea water cooling forecast

	Unit	2022Gf	2023Gf	2024Gf	2025Gf	2026Gf
Jubail						
External sales	million m³	6,052.1	6,107.9	6,167.0	6,155.6	6,158.3
Growth	%	0.0%	1.0%	1.0%	0.0%	0.0%
Yanbu						
External sales	million m³	1,983.1	2,021.4	2,070.6	1,973.8	2,078.6
Growth	%	0.0%	2.0%	2.5%	-2.9%	7.0%
Share of External Sales						
Yanbu 1	%	100.00%	99.96%	99.93%	98.15%	96.60%
Yanbu 2	%	0.00%	0.04%	0.07%	1.85%	3.40%

Note: f indicates forecast. This is based on external sales only (i.e., it does not include internal sales).

Source: Market Report

Industrial Water

Industrial water sales to the Sadara Sea Water Reverse Osmosis (SWRO) plant are expected to remain stable up to 2026G, as the basis of the forecast is a long-term contract.

ndustrial water forecast

	Unit	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
Sandara Jubail						
External sales	million m³	35	36.4	38	39.4	41
Growth	%	0.0%	4.0%	4.2%	3.7%	4.0%

Note: f indicates forecast

Source: Market Report

Sales gas distribution

Volume from sales gas distribution is expected to grow by a 2.6% average annual growth rate between 2022G and 2026G, equal to 10% in total quantity growth.

Table (3.34): Sales gas distribution

	Unit	2022G[f]	2023G[f]	2024G[f]	2025G[f]	2026G[f]
External sales	million MMBTU	13.75	15.1	15.3	15.3	15.3
Growth	%	0.0%	10.0%	1.0%	0.0%	0.0%

Note: f indicates forecast

Source: Market Report

4. The Company

4.1 Overview of the Company and its business activities

The Power and Water Utility Company for Jubail and Yanbu (Marafiq) (the "**Company**") is a Saudi closed joint stock holding company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05 September 2001G). The Company was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18 October 2000G). The Company's registered address and headquarters are located in Jubail Industrial City, First Industrial Support Area, Street 3522, Road 100, Unit No. 1, Jubail 35717-8894, P.O. Box 11133, Postal Code 31961, Kingdom of Saudi Arabia. Upon its incorporation, the authorized and issued share capital of the Company was SAR 2,500 million divided into 50 million ordinary shares of SAR 50 per share, of which six hundred and twenty-five million (SAR 625,000,000) was paid upon incorporation (equivalent to 25% of the issued capital), divided into fifty million (50,000,000) shares of equal value, each with a nominal value of fifty (SAR 50). In January 2003G, an amount of six hundred and twenty-five million (SAR 625,000,000) was paid. On 19 October 2008G, the remainder of the value of the cash shares, amounting to one billion, two hundred and fifty million (SAR 1,250,000,000) was paid, accounting for the entire capital. On 19/05/1434H (corresponding to 31 March 2013G), the Company's Extraordinary General Assembly decided to reduce the nominal value of the shares to ten (SAR 10), and accordingly the number of shares was modified to become two hundred and fifty million (250,000,000) ordinary shares, all of which are of equal value of ten (SAR 10). Accordingly, the current share capital of the Company is two billion, five hundred million Saudi Riyals (SAR 2,500,000,000), fully paid, divided into two hundred and fifty million (250,000,000) nominal shares of an equal value of ten Saudi Riyals (SAR 10) per share, all of which are ordinary cash shares. Please refer to Section 4.3.3 ("**History and Evolution**") of this Prospectus.

The Company (together with its Subsidiaries, the "**Group**") is a provider of power, water and gas in Saudi Arabia principally operating in Royal Commission industrial cities (currently being Jubail, Yanbu, Ras Al-Khair Industrial City ("**RIC**") and Jazan City for Primary and Downstream Industry ("**JCPDI**")). The Company's headquarter is in Jubail, a port city which is located on the Arabian Gulf coast of the Kingdom of Saudi Arabia North of Bahrain and South of Kuwait, where the Company is the sole supplier of potable water and seawater for cooling, industrial and sanitary wastewater collection and treatment to a range of industrial, commercial, residential, and governmental customers. In the coastal city of Yanbu which is located at the Red Sea coast of the Kingdom close to Medina and North of Jeddah, the Group owns and operates a centralized, integrated complex and is the sole supplier of power transmission and distribution, potable and process water, seawater for cooling systems, sanitary and industrial wastewater collection and treatment services to governmental, industrial, commercial and residential customers. The Company also distributes sales gas to the light industrial park at Yanbu.

The Company's operations date back to 1999G when the Royal Commission, which had established the power and water infrastructure in Jubail and Yanbu, decided to privatize the utilities for these two cities. On 11 July 1999G, the Council of Ministers Decision no. 57 defined the charter of a new private utility company which lead to the formation of the Company by Royal Decree in October 2000G. The Company's operations officially began on 01 January 2003G when all utilities assets that were operated by the Royal Commission were transferred to the Company.

As the regulator and owner of Jubail and Yanbu industrial cities, the Royal Commission has since then continued its aim to boost the investments and development in these two cities and help expand the petrochemical and energy-intensive industries with a focus on the integration with customers, investors, employees, community and other partners. The Royal Commission's key goals are the expansion of the industrial base through growth in the cities and the growth of the industrial output, the optimization of the tenant portfolio by attracting additional number of investments, the recognition as top industrial cities globally, to be the employer of choice in the Kingdom and to gradually develop financial sustainability and increased efficiency. The Company has embraced these goals and initiatives of the Royal Commission and the Company's management is committed to the Royal Commission's goals helping with the expertise and experiences and resources. The Company's business model is based on acquiring assets in the role of asset owner, asset operator, and recovering its costs via an appropriate tariff regime.

In 2021G, the Company has obtained the necessary licenses from WERA and MEWA to enable the Company to be the power distributor and water service provider in JCPDI, which is a town approximately 60 km North of the old city of Jazan on the Southwestern coast on the Red Sea. The Company is planned to be the only power distributor and water service provider in JCPDI. JCPDI is still in development.

In addition to JCPDI, the Company has been chosen to be the only power distributor and water service provider in RIC. The RIC is located on the eastern coast of the Kingdom with an aerial distance of 60 km north of Jubail. The Council of Ministers Decision no (355) dated 30/10/1430H (corresponding to 19 October 2009G) gives the Royal Commission the responsibility of managing and providing services to RIC in a way similar to the Industrial Cities of Jubail and Yanbu. The Company was assigned to provide utility services such as potable water production and supply, supply of sea water cooling, industrial and sanitary wastewater collection and treatment facilities, power supply, and providing utility operations and maintenance in the city in RIC. The RIC is in developing stage with incoming new customers, and the Company is only providing potable water to the downstream industries at the time of this Prospectus.

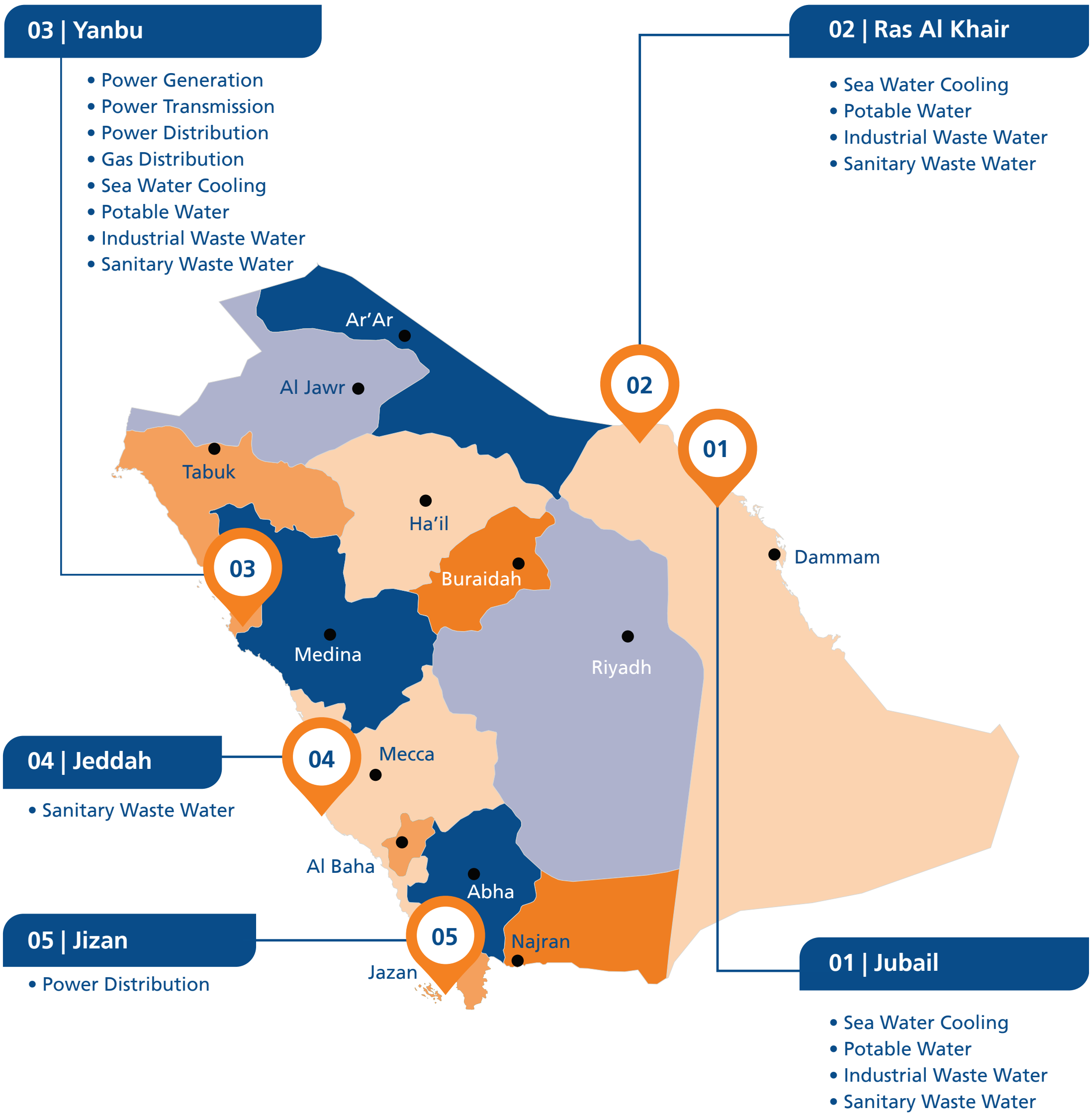
The Kingdom's power and water sectors are in the process of major reforms. Privatization is at a more advanced phase in the water sector than in the power sector. However, the Company's management expects that in the next few years extensive changes will happen in both markets, offering substantial business opportunities for the Group. The increasing renewable energy share and capacity in the Kingdom's energy mix are expected to drive the overall power market. The Kingdom is targeting to utilize 50% of its investments in renewable and sustainable power sources, more than two-thirds from investment. The PIF, one of the main shareholders of the Company, has been given the mandate to develop nearly 70% of renewable projects in the Kingdom. Utilities and renewables are amongst the 13 sectors detected by the PIF as part of its Vision 2030 strategy. As a part of its growth strategy, the Company is targeting to enter in new projects outside of its core regulated businesses, which the Company's management believes can result in profitable projects and can improve the Company's competitiveness. In this connection, the Company has introduced a two-pronged strategy: (i) to adopt emerging technologies and offering sustainable tariffs to the customers, and (ii) to give a major thrust to the non-regulated utilities services businesses beyond Royal Commission areas.

The Company has decided to consider energy and water opportunities across its value chain beyond the traditional Royal Commission areas while continuously serving its current customers in the industrial cities of Jubail, Yanbu, RIC, and already expanding its presence to operate the utility services in JCPDI by providing reliable and sustainable utility services. In the five-year period from 2022G to 2026G, the Saudi Water Partnership Company is planning to launch tenders for several independent water project, independent sanitary treatment plants, independent water transmission pipelines, and independent strategic water reservoir projects to meet water requirements across the Kingdom. There are also other bidding processes for various projects including industrial wastewater treatment, conventional and green power generation plants and in related areas. The Company is aiming to participate in some of these projects based on its past experiences, its approved framework for project selection, and the Company's availability of resources. The Company, through its operations and maintenance (O&M) subsidiary MaSa, is also exploring the potential to be involved in the long-term O&M contracts for the operation of plants and associated networks in the Kingdom.

In line with to the Kingdom's Vision 2030 privatization drive, the Group aims to benefit from further industrial investment projects of the Kingdom. In particular, the Group has access to a range of growth opportunities, both in its Royal Commission-based service territories (Jubail, Yanbu, RIC and JCPDI), as well as seeking to be a provider of energy and water utility services across the Kingdom, including projects procured under competitive bidding for other customers, particularly the Jeddah II ISTP project. For this project, the Company is the lead developer as part of a consortium and was awarded a sewage treatment agreement with the Saudi Water Partnership Company. The project is located in the north of Jeddah on a land owned by King Abdul Aziz International Airport (KAIA). The construction progress for this project is currently ahead of the planned completion and the project is targeted to be completed by 31 January 2023G.

The following map shows the current and planned operations of the Company across the Kingdom:

Figure (4.1): The current and planned operations of the Company across the Kingdom



The Group has partnered with leading international water and power companies in the past and present, such as ENGIE, Alfanar, Marubeni, Saur International and Veolia. The Group has also established excellent relationships with local and international financing institutions to facilitate competitive financing for development projects. The Company has also been qualified as the lead developer and/or technical member for independent water and sewage wastewater projects by SWPC and water and cogeneration projects from Saudi Aramco.

The Company's business is divided into three segments across the services it provides: (i) in the Power segment, the Company provides electric power, transmission and distribution and retail supply services in Yanbu as well as JCPDI and RIC, (ii) in the Water segment, the Company provides desalinated and treated water and potable, process and industrial water production and distribution services as well as seawater cooling systems for heavy industries and industrial plants and sanitary wastewater collection and treatment in all four industrial cities in which it operates and (iii) in the Sales Gas segment, the Company distributes sales gas for a light industrial park area in Yanbu.

The Group's revenue increased with a CAGR of 0.5% from 2019G to 2021G, with the Group realizing revenues of SAR 6.107 million, SAR 6.091 million and SAR 6.192 million for the financial years ending 31 December 2019G, 2020G and 2021G, respectively. The Group's revenue increased by 2.8% in the period ending 31 March 2022G compared to the same period in the previous year with the Group realizing revenues of SAR 1.422 million and SAR 1.462 million for the periods ended 31 March 2021G and 31 March 2022G, respectively.

The Group's net income increased with a CAGR of 65% with the Group recording net income of SAR 235 million, SAR 291 million and SAR 644 million for the financial years ending 31 December 2019G, 2020G and 2021G, respectively. At the same time, the Group increased its net income margin (the ratio of net income and operating revenues) from 6.1% in 2019G to 7.6% in 2020G, and 16.5% in 2021G. The Group's net income increased by 37% in the period ending 31 March 2022G compared to the same period in the previous year with the Group realizing net income of SAR 104.2 million and SAR 142.9 million as at 31 March 2021G and 31 March 2022G, respectively.

4.2 Vision and Mission of the Company

4.2.1 Vision

To be the preferred supplier of utility services in major Industrial Cities in the Kingdom of Saudi Arabia.

4.2.2 Mission

To meet customers' needs by providing reliable and sustainable utility services which comply with environmental regulations and maximize shareholders' value.

4.2.3 Values

The Company's core values comprise the following:

- a- people oriented;
- b- accountability and teamwork;
- c- transparency;
- d- social responsibility; and
- e- customer focus.

4.3 Structure of the Group

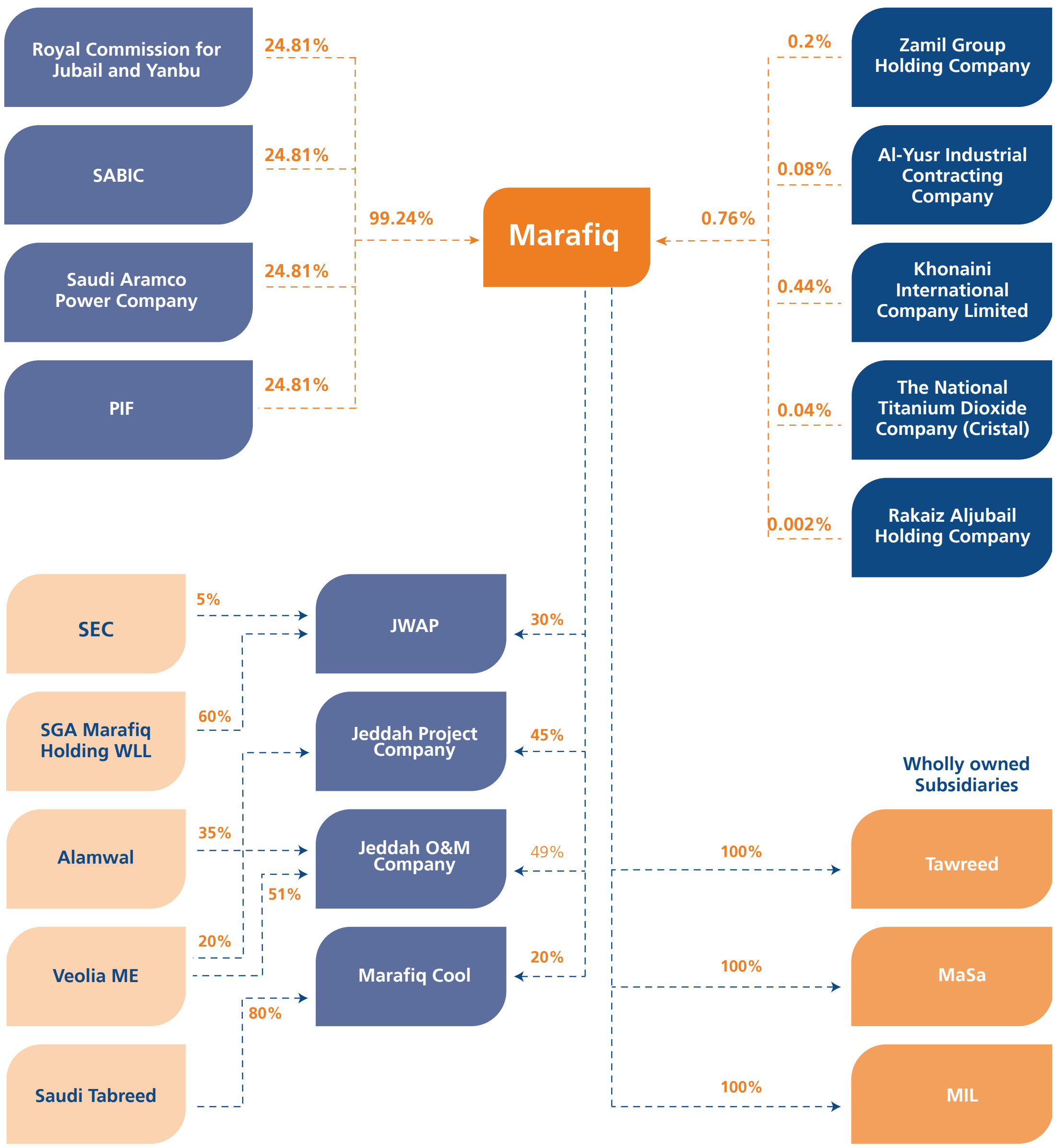
4.3.1 Incorporation

The Company is a joint stock company established pursuant to Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18 October 2000G) and registered under commercial registration number 2055004968 dated 17/06/1422H (corresponding to 05 September 2001G). As at the date of this Prospectus, the issued and paid-up capital of the Company is two billion, five hundred million (2,500,000,000) Saudi Riyals divided into two hundred and fifty million (250,000,000) ordinary shares with a nominal value of ten (10) Saudi Riyals for each Share.

4.3.2 Organizational Structure

The following diagram shows the organizational structure of the Group as at the date of this Prospectus:

Figure (4.2): The organizational structure of the Group as at the date of this Prospectus



Source: The Company

4.3.3 History and Evolution

History

The Group's history dates back to 22 September 1975G when the Royal Commission (the "**Royal Commission**") was established pursuant to Royal Decree No. (M/75) dated 16/09/1395H with the task to develop the industrial cities of Jubail and Yanbu. The objective of the initiative was to diversify the national economy and reduce the Kingdom's reliance on its oil revenue by providing the requisite infrastructure and facilities for the establishment of primary, secondary, and support industries.

When the Royal Commission was tasked with the development of the industrial cities of Jubail and Yanbu, it constructed the power and water infrastructure in Jubail and Yanbu. At that time, the infrastructure comprised a power station in Yanbu and seawater cooling facilities, desalination plants, and wastewater treatment plants in Jubail and Yanbu. As the industrial cities continued to grow, the government in 1999G decided to privatize these utilities and the Council of Ministers Decision No. 57 of 11 July 1999G ("**COM No. 57**") defined the charter of a new private utility company, leading to the establishment of Marafiq by Royal Decree No. M/29 dated 18 October 2000G.

The Company was established on 17/06/1422H (corresponding to 05 September 2001G) as a Saudi closed joint stock company with a share capital of two billion, five hundred million Saudi riyals (SAR 2,500,000,000), of which six hundred and twenty-five million Saudi riyals (SAR 625,000,000) were paid upon incorporation (equivalent to 25% of the issued share capital), divided into fifty million (50,000,000) shares, all of which are of equal value, with a nominal value of fifty Saudi riyals (SAR 50) per share. In January 2003G, part of the share capital amounting to six hundred and twenty-five million Saudi riyals (SAR 625,000,000) was paid (equivalent to 25% of the issued share capital). On 19 October 2008G, the remainder of the cash share value of one billion, two hundred and fifty million Saudi riyals (SAR 1,250,000,000) was paid, completing payment of the entire share capital. On 19/05/1434H (corresponding to 31 March 2013G), the Company's Extraordinary General Assembly decided to reduce the nominal value of the shares to ten Saudi riyals (SAR 10) and consequently the number of shares was adjusted to two hundred and fifty million (250,000,000) ordinary shares, all of equal value, with a nominal value of ten Saudi riyals (SAR 10) per share, all of which are ordinary cash shares.

All the utility assets owned by the Royal Commission were transferred to the Company. This transfer of assets to the Company was made in accordance with the arrangement stipulated under COM No. 57 and in a master lease agreement dated 11 October 2006G entered into between the Royal Commission and the Company (the "**RC Master Lease**") (for further details on the RC Master Lease, see Table 12.40 ("**Summary of the Group's Lease Agreements**") of this Prospectus). The Royal Commission continues to lease the utility infrastructure of new developed areas that it constructs from time to time in Jubail and Yanbu as required with both industrial cities' growth.

Under COM No. 57 dated 11 July 1999G, the Company is mandated to provide efficient, reliable, and cost-effective services to all current and future users in the industrial cities of Jubail and Yanbu. Such services include the operation, maintenance, management, construction and ownership of seawater cooling, water desalination and treatment, sanitary and industrial wastewater treatment, and electricity systems.

4.3.4 Key Historical Events and Evolution of the Group

Table (4.1): The Key developmental events of the Group since the Company's incorporation until the date of this Prospectus

Date (G)	Event
1999	On 28/03/1420H (corresponding to 12 July 1999G), the Council of Ministers approved the resolution No. 57 authorizing the incorporation of the Company to be owned by representatives of the Government and private industrial participants. The resolution prescribed the Company's primary mandate of owning, operating and maintaining, and managing all infrastructure facilities (seawater cooling, water desalination and treatment, sanitary and industrial drainage, and electricity systems) in the industrial cities of Jubail and Yanbu.
2000	The Company was established as a joint stock company pursuant to Royal Decree No. M/29 dated 21/07/1421H to provide power and water related services in the industrial cities of Jubail and Yanbu.
2003	The Company took over operations in Jubail and Yanbu from the Royal Commission on 01 January 2003G.
2006	Master lease agreement signed between the Royal Commission and the Company transferring assets amounting to SAR 3.4 billion to the Company.
2006	The incorporation of Tawreed for the purposes of acting as an agent company for the purchase and sale of water and electricity produced by Jubail Water and Power Project (JWPP).
2007	Transfer and commissioning of steam turbine generation unit number 4 in Yanbu from the Royal Commission.
2007	The Jubail Water and Power Company ("**JWAP**") was incorporated on 23 April 2007G as a Saudi closed joint stock company.

Date (G)	Event
2008	On 13/06/1429H (corresponding to 17 June 2008G), the Board of Directors of the Company resolved to increase the paid-up capital of the Company by calling the remaining authorized capital of SAR 1.25 billion.
2009	First ever adjustment in water tariffs of the Company was approved by the Company's Board of Directors in their capacity as regulator under COM No. 57. The tariffs approved became effective in 2010G.
2010	Commissioning of the power and water plant of JWAP.
2010	On 01/03/1431H (corresponding to 15 February 2010G), the Council of Ministers approved the resolution No. 53 ("**COM No. 53**") appointing the Electricity and Cogeneration Regulation Authority (now referred to as the Wand Electricity Regulatory Authority or "**WERA**") as regulator for power and cogeneration activities of the Company and the Royal Commission Board of Directors as regulator for water services. This resolution also clarified that the tariff adjustments in the Company would be based on the principle of cross-subsidy between the services.
2010	Increase in power tariffs by WERA.
2011	The Company commenced gas distribution business in the Light Industrial Park area of the industrial city of Yanbu.
2011	The Company incorporated MaSa as a joint venture with SAUR International SAS.
2012	The Company signed an Industrial Water Supply Agreement ("**IWSA**") with Sadara Chemical.
2012	Commissioning of Industrial Wastewater Treatment Plan (Stage-4) at Jubail – 55,000 m³/day capacity.
2013	Commissioning of a multi-effect distillation plant at Jubail – 2 x 27,600 m³/day capacity
2014	Change in water tariffs affecting the Company outlined in COM No. 53.
2014	Commissioning of a sanitary wastewater treatment plant (Stage-5) at Jubail – 72,000 m³/day capacity.
2014	Commissioning of an industrial wastewater treatment plant at Yanbu – 48,000 m³/day capacity.
2016	Commissioning of a SWRO-4 (Seawater Reverse Osmosis) water production plant at Jubail – 100,000 m³/day capacity.
2016	Commissioning of a sanitary wastewater treatment plant at Yanbu – 47,000 m³/day capacity.
2016	Commissioning of the Yanbu-2 power, water, and seawater complex.
2016	Commissioning of a SWRO Plant (Seawater Reverse Osmosis) for the supply of industrial water to the Sadara Chemical Complex.
2017	On 26/08/1438H (corresponding to 22 May 2017G), the Council of Ministers approved resolution No. 542 providing that WERA shall regulate the "**chain of water and wastewater services**" (excluding wells) and instructed WERA to propose the amendments to its regulation to include such water services within its jurisdiction and submit such amendments to the Council of Ministers.
2019	The Company was also entrusted by the Royal Commission as the utilities service provider for RIC.
2020	On 26/05/1441H (corresponding to 21 January 2020G), the Council of Ministers approved the resolution No. 357, which transferred the authority to regulate the distribution of dry gas and liquefied petroleum gas for residential and commercial purposes from WERA to MOE.
2020	The new Water Law was promulgated. Additionally, on 09/11/1441H (corresponding to 30 June 2020G), the Council of Ministers approved the resolution No. 710, which provided that MEWA, MOE, MIMR shall enter into an MOU to regulate certain aspects related to the water sector in areas and institutions supervised by MOE, MIMR and any related authority.
2020	MEWA assumes WERA's role in regulating the water sector (excluding cogeneration, which remains under WERA's jurisdiction).
2021	The new Electricity Law was promulgated.
2021	The Company acquired the remaining shares in MaSa from SAUR International SAS to become a wholly owned subsidiary.
2021	A memorandum of understanding between MEWA and MIMR was entered into in relation to water regulation.
2021	On 26/11/1442H (corresponding to 06 July 2021G), the Council of Ministers approved the resolution No. 702, which transferred the activities of transportation, distribution, and selling of treated water from MEWA to the Saudi Irrigation Organization ("**SIO**").
2022	The Company was also delegated by the Royal Commission as the utilities service provider for JCPDI.

4.4 Competitive strengths and strategy of the Group

4.4.1 Competitive Strengths

The Group operates as an integrated utility delivery center, providing reliable and sustainable services in strategic coastal industrial cities throughout the Kingdom.

The Group has a natural monopoly in respect of certain water services in the industrial city of Jubail, which is located in the east on the Arabian Gulf coast of the Kingdom. In addition, the Group has a natural monopoly in respect of electricity and certain water services in the industrial city of Yanbu, which is located in the west on the Red Sea coast of the Kingdom. The natural monopoly in both cities is linked to the Group's customers for each of the services provided being connected and supplied through networks leased by the Group for its right to operate and maintain. No access rights have been granted by the Royal Commission or the Group to any third party at the date of this Prospectus. As a result, the Group does not compete with competitor suppliers in these industrial territories. For a competitor to enter the same geographic market, not only would access rights need to be granted, but the competitor would also need to make very large investments to replicate the Group's infrastructure. As a result, the Group benefits from high barriers to entry into its two principal markets.

In addition, the Company has also been selected by the Royal Commission as the sole power and water service provider for RIC and JCPDI, two industrial cities that are currently under development. Similar to the situation in Jubail and Yanbu, there are no plans as at the date of the Prospectus to grant third-party access rights to the RIC and JCPDI markets. As a result, the Group will also benefit from high barriers to entry in these newly developed cities.

All four cities in which the Group operates are strategic to the Saudi economy. In particular, the industrial cities of Jubail and Yanbu are key areas of industrial activities in the Kingdom as a large number of petrochemical facilities, refineries, and other supplementary industrial units including several large-scale joint ventures such as TotalEnergy, China Sinopec, Dow Chemical, Mitsubishi, Shell, Chevron and other multinational entities are located in Jubail and Yanbu. As a result, both cities are key contributors to the GDP diversification and employment creation drive of the Saudi economy.

The Royal Commission has enticed an investment of about SAR 1.2 trillion into the industrial cities with industrial investments reaching SAR 934 billion and urban spending of SAR 37 billion (Source: Website of the Royal Commission, April 2021G). There are more than 600 plants to produce 92 products.

Jubail is a major center for the petrochemicals industry, Jubail includes major industrial facilities such as the SADARA Chemicals Complex, all of which are customers for the Group's water services. Yanbu is a major port city on the Red Sea coast of the Kingdom. Yanbu is a major petroleum shipping terminal, with the capacity to export over 3 million barrels of crude oil daily as at 2022G. Yanbu is also home to three oil refineries, a plastics facility, and several petrochemical plants, all of which are customers for the Group's electricity and water services.

Strong and sustainable growth prospects resulting from growth in the utilities sector in Royal Commission Industrial Cities as well as across the Kingdom

The Group supplies a variety of water services to a diverse range of consumers strengthening the resilience of the business and also sells electricity and sales gas in Yanbu. The following table sets out the water services provided by the Group to customers in Jubail, including the percentage contribution of each service to the Group's 2021G EBITDA.

Table (4.2): Percentage contribution of water services to EBITDA in 2021G in Jubail

Water services	Percentage (%) of 2021G EBITDA
Potable water	20 %
Industrial water	13 %
Sanitary wastewater treatment	-2 %
Industrial wastewater treatment	-3 %
Sea water	14 %

Source: The Company

The following table sets out the water services provided by the Group to customers in Yanbu, including the percentage contribution of each service to the Group's 2021G EBITDA.

Table (4.3): Percentage contribution of water services to EBITDA in 2021G in Yanbu

Water services	Percentage (%) of 2021G EBITDA
Potable water	-5 %
Process water	5 %
Sanitary wastewater treatment	-1 %
Industrial wastewater treatment	0 %
Sea water	9 %

Source: The Company

The following table sets out the electricity and sales gas services provided by the Group to customers in Yanbu through its own electricity and sales gas networks:

Table (4.4): Percentage contribution of electricity and sales gas services to EBITDA in 2021G in Yanbu

Electricity/ Sales Gas Services	Percentage (%) of 2021G EBITDA
Electricity	49 %
Sales Gas	1 %

Source: The Company

In addition to the sustainable growth across its current water, electricity, and sales gas operations in Jubail and Yanbu, as well as its initial operations in RIC and JCPDI, the Group has a strong position in the Kingdom in relation to the growing utilities sector generally. The Group has access to a range of growth opportunities, both in its Royal Commission-based service territories (Jubail, Yanbu, RIC and JCPDI), as well seeking to be a provider of energy, water and wastewater treatment utility services across the Kingdom, including projects procured under competitive bidding for other customers (e.g., the Jeddah II ISTP project, where a consortium, including the Company, Veolia Middle East, and Alamwal Al-Khaleejiah Al-Thaniya, was selected as preferred bidder). The consortium, with the Company as a lead developer, was awarded the Jeddah II ISTP project and has signed a Sewage Treatment Agreement (STA) with Saudi Water Partnership Company (SWPC) (formerly WEC). The project is structured as BOOT of 25 years for a 300,000 m³/d sewage treatment plant expandable to 500,000 m³/d. The project is located in the north of Jeddah on a piece of land owned by King Abdul Aziz International Airport (KAIA). The consortium has already established the Project Company, Jeddah Althaniah Water Company (JAWC), where the Project Company and the EPC contractor (SSEM) have been mobilized in the project site. The construction progress achieved is ahead of the planned completion percentage and the project is expected to be completed within the targeted SPCOD (31 January 2023G).

A Sewage Treatment Agreement (STA) with SWPC (formerly WEC) will govern the project. The STA was executed between the Project Company and SWPC in February 2019G with an amendment signed at financial close. The term of the STA will remain in effect for a period of 25 years from PCOD of the Plant. The STA contains commercial and legal terms and conditions covering, amongst other items: (i) the development, design, engineering, financing, permitting, insurance, procurement, manufacturing, factory and site equipment testing, construction, commissioning, performance acceptance testing, ownership, operation and maintenance, handover, and transfer of the plant; and (ii) SWPC payment obligations, performance requirements, monitoring rights, and other provisions.

Recently, the Group has evolved as a strong developer in the Saudi market, partnering with leading international water and power players such as ENGIE, Alfanar, Marubeni, Saur International, and Veolia. The Group has also established excellent relationships with local and international financing institutions that help provide competitive financing for development projects targeted by the Group. The Company has also been qualified as the lead developer and/or technical member for independent water and sewage wastewater projects by SWPC and water and cogeneration projects by Saudi Aramco.

The Group has a strong and creditworthy industrial customer base

The key inputs for the Group's operations procured from third parties are fuel (sales gas and fuel oil) from Saudi Aramco. Furthermore, the Group has entered into several long-term fuel supply agreements with Saudi Aramco. The agreements guarantee the supply of the required fuel for the Group's various plants at prices set by the Government of the Kingdom of Saudi Arabia (the "**Government Price**"). Please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus for a summary of these agreements. Saudi Aramco has successfully met all of the Group's fuel requirements in a responsive and timely manner.

The Group's customer base comprises mainly industrial, governmental, commercial, and residential entities. Typically, industrial, governmental, and commercial customers have steady consumption levels, higher operating rates, and optimal tariffs. They are generally more prompt in their payments than retail and household customers. The predominant corporate client base has generally allowed the Group to be flexible in adjusting tariffs to a certain degree and therefore allowed the Group to maintain profitability. Power and water expenses currently represent a relatively low proportion of the overall operating cost for most industrial clients, which effectively reduces the resistance to tariff increases. In the financial year 2021G, approximately 83% of the Group's revenue were derived from the Royal Commission, Saudi Aramco, SABIC subsidiaries, and the associated joint ventures entered into by them. All agreements with the Royal Commission, Saudi Aramco, and SABIC's subsidiaries to provide services are governed by utility user agreements as it is the case for other major customers.

The Group has a well-invested asset base with high throughput efficiency through the existence of in-house competencies and expertise in the field of utility asset management. The Group also has significant engineering expertise in the field of project management

The Group invests in its operations and assets on an ongoing basis, which has enabled it to obtain a strong and reliable asset base in order to serve its customers, which in turn will enable the Group to achieve further growth for its future operations.

Moreover, the Group has significant engineering and project management capabilities, as the Group has a sophisticated engineering team consisting of engineers, subject matter experts, and senior management personnel who are involved in the effective execution of various projects of the Group and the management of its technical assets. The Group also hires external consultants to provide advice when required.

The Group's operational reliability is the basis for the success of its business and the services provided to its customers. The Company relies on four pillars to reach this level of business reliability, namely: (1) root cause analysis, (2) reliability-centered management, (3) risk assessment and (4) rigorous performance tests. The Company also uses thorough systems to monitor its assets in order to ensure that the required output is achieved. The Company has also adopted a capital project program that ensures the optimal operational performance of all the Group's assets.

The project management team at the Company consists of a number of sub-departments, each with dedicated responsibilities to ensure that projects are conceptualized, implemented, and governed effectively. The sub-departments are as follows:

- **Project Engineering Department:** This department is responsible for of all Group-funded capital projects, from the initial approval of the project through to the final project development decision. This department also provides support in the phases of exploration, feasibility studies and execution of projects.
- **Project Implementation Department:** This department is responsible for the execution of Group funded capital projects, from the final project development decision through to the project close-out, including contractors and construction management, commissioning start-up and handover.
- **Third Party Projects Department:** This department provides support services to all third-party-funded capital projects, including assets transferred through the Royal Commission, from the initial design stages through to the final handover to the Group. This department is focused on review and internal coordination with other departments until the Group takes control over such assets.
- **Project Support Department:** This department is responsible for providing project support and monitoring services by overseeing project costs, schedule, risk management and contracting support throughout the entire project lifestyle.
- **Large Projects Department:** Although this department is not considered a permanent department, it consists of a team that is mobilized and de-mobilized on a required basis to help on the execution of larger projects.
- **Center of Excellence Department:** This department is considered a knowledge hub for procedures, best practices, tools, methodologies, analysis and reporting etc. It also ensures continuous improvement of the approaches deployed by projects function in the Company and secures adherence to best practices.
- **Quality Control Department:** This department is responsible for ensuring that project execution is validated, deficiencies are addressed and contract deliverables are completed to the required level. It also ensures that all required materials for the implementation of contemplated projects are purchased, and assumes the responsibility of monitoring all deficiencies in the implementation of projects until their closure.

The Group has established a track record of developing and delivering major projects on time and within the approved budget. Below are certain major projects delivered by the company in the past 12 years:

Table (4.5): Major projects of the Group in the past 12 years

Name of Project	Sadara SWRO (IWP)	SWRO-4 Potable Water, Jubail	Marafiq IWPP	Yanbu-2 Power & Water Plant	Yanbu-1 Power & Water Plant
Country and Location	KSA	KSA	KSA	KSA	KSA
Location / City	Jubail	Jubail	Jubail	Yanbu	Yanbu
Water Installed Capacity (m^3/day)	178,560 m^3/day	100,000 m^3/day	800,000 m^3/day	60,000 m^3/day	148,000 m^3/day
Power Installed Capacity (MW)	--	--	2,745 MW	825 MW	1,207 MW
Ownership	100%	100%	30%	100%	100%
Total Project Cost (US$)	US$ 389 Million	US$ 122 Million	US$ 3,400 Million	US$ 1,655 Million	US$ 98 Million
Technology (Water)	SWRO	SWRO	MED	MED	MSF/RO/MED
Technology (Power)	--	--	CCGT	STGs	CCGTs and STGs
COD	01 Dec 2016G	01 Sep 2015G	26 Oct 2010G	28 Nov 2016G	Please refer to Table 4.25 ("**Details of all the Group's plants and facilities located in Yanbu**") for further details on the CODs of the plants in Yanbu

Source: The Company

The cornerstone of the Group's success is the reliability of its operations, which enables it to provide integrated multi-utility "**plug-n-play**" services to high-end sophisticated industries. Under COM No. 57, the Company is mandated to provide efficient, reliable, and cost-effective services to all current and future users in the industrial cities of Jubail and Yanbu. The oversight of the regulators ensures that the Company sustains its operations in the long term to protect the multi-billion-dollar investments that have been injected in the industrial cities of Jubail and Yanbu.

The Group has an experienced management team and supportive, well-known industry leaders as key shareholders

The Company is led by a highly experienced senior management team, which has guided the growth and development of the Company to its current position as a leading GCC based multi-utility, providing essential utilities services to customers in the key industrial cities of Jubail and Yanbu.

The Chief Executive Officer (CEO) of the Company is Mohammed Berki Al-Zuabi who had worked in particular for Saudi Aramco before joining the Group in 2020G and has more than 25 years of experience in the electric power systems and oil and gas industries. He is recognized as one of the leading Saudi executives in the Kingdom with a strong track record of managing various reputable companies in Saudi Arabia.

Sultan Al-Ruhaili is the Executive Vice President of Engineering and Projects of the Company. Since joining the Company, he has been one of the key executives of the Company given his wealth of experience in the engineering and project management fields. He is also the vice chairman in Jeddah Project Company and a board member in MaSa.

Jamal Al-Omar is the Executive Vice President of Operations and Maintenance of the Company. He holds leadership degrees from both Stanford and Harvard and is considered one of the Company's key executives. He currently sits as a board member in Jubail and Yanbu District Cooling, MaSa and Jeddah II Project Company.

Mohammed Al-Mulhim is the Vice President of Finance of the Company and also holds the position of Board secretary in the Company. Prior to joining the Company, he assumed the role of the finance General Manager at the National Industrialization Company (TASNEE), which is a publicly listed company. He brings a wealth of experience to the Company from his previous roles.

Please refer to Section 5.3.2 ("**Summary of the Biographies of the Company's Senior Executives**") of this Prospectus for summaries of the resumes of the senior executives.

The four Founding Shareholders of the Company are the PIF, the Royal Commission, Saudi Aramco (which transferred its ownership to Saudi Aramco Power Company which is wholly owned by it), and SABIC. All Founding Shareholders are essential to the Kingdom's economy with a strong and wide range of expertise and an international reputation for excellence. In addition, SABIC, Saudi Aramco, and the Royal Commission are amongst the main customers of and suppliers to the Group (directly or through its subsidiaries) and play an integral part in the Group's continued operations and growth. The Company was founded as a result of a privatization drive of the utilities in Jubail and Yanbu with the Royal Commission transferring these assets to the Company in 2003G. As a result, the Company has a very close relationship in particular to the Royal Commission as its direct predecessor in operating the Company's key assets.

The Founding Shareholders have long-standing and detailed experience in managing the construction of large and complex projects. The Group, in addition to its own internal capabilities, is able to draw on its shareholders' experience and expertise. The CEO of the Company, Mohammed Berki Al-Zuabi, has extensive experience in the sector with Saudi Aramco with a wealth of experience in high-voltage electrical systems, operation, maintenance, and engineering.

Saudi Aramco, the Royal Commission and SABIC (including their respective subsidiaries) are also amongst the main customers of the Group and have a strong interest in ensuring the provision of reliable utilities services, as well as the continued strong operational and financial performance of the Group.

The Group has a track record of robust financial development and a stable cash-flow profile that is driven by a high-visibility, regulated environment with a set tariff

As the sole supplier in its service territories of electricity and water services, which are essential services for the Group's customers, the tariffs charged by the Group are subject to economic regulation. In particular, COM No. 57 provides that tariffs for the services provided by the Group shall be based on the commercial cost of the services provided to all industrial users. COM No. 57 continues to provide that the concerned parties, including the Founding Shareholders, must ensure that the Group is operated and provides its services on commercially acceptable standards.

The tariffs charged for electricity supplies in Yanbu are set by the Water and Electricity Regulatory Authority ("**WERA**") (previously known as the Electricity Cogeneration Regulatory Authority "ECRA"), an independent regulator. All tariff rates (which include residential, commercial, industrial, and governmental) are reviewed and recommended by WERA to be approved by the competent authorities. The tariffs charged by the Group for water services in Jubail and Yanbu (excluding the supply of industrial water to the SADARA Chemicals Complex in Jubail) were originally determined by the Royal Commission board in its capacity as the previous regulator as per COM 57 and COM 53 for these services, but the authority to regulate potable and desalinated water related services were transferred to WERA under applicable water law, and the tariffs applicable to these services remain unchanged. As for industrial water services, the board of the Royal Commission is the regulator responsible to set the tariffs on these services. The return on regulated asset base allowed by MOE for this service is 7.22%. The tariffs charged for sales gas supplies in Yanbu (1% of EBITDA in 2021G) are set by the Ministry of Energy "MOE". The return on regulated asset base allowed by MOE for this service is 9.0%. The tariffs are adjusted over time, typically for a multi-year period.

The Group has a stable revenue stream because of a predictable demand for its services. This stability is supported by contractual arrangements with the Group's industrial clients, which typically sign long-term (30-year) supply agreements with the Group with provisions for tariff increases, if and when approved by the regulator; this has allowed the Group to reinforce a stable demand for its utility services. This high degree of stability, combined with regulated end-user tariffs, reduces revenue and earnings volatility. The Group has significant operating cash flows from its diversified operations, which provide funding for the Group's investment and growth plans, as well as provide the opportunity to reward shareholders through dividend distributions while maintaining a robust capital structure.

The following table sets out the Group's year-on-year volume growth for water services provided in Jubail:

Table (4.6): Volume growth for water services and industrial water provided in Jubail

Water Service	Volume Growth in 2019G	Volume Growth in 2020G	Volume Growth in 2021G
Potable water	5.02%	8.07%	1.03%
Sea water cooling	1.00%	1.46%	-0.86%
Sanitary wastewater treatment	0.03%	7.19%	-6.47%
Industrial wastewater treatment	6.53%	6.27%	2.16%
Irrigation water	-2.02%	6.84%	14.96%
Industrial Water	**Volume Growth in 2019G**	**Volume Growth in 2020G**	**Volume Growth in 2021G**
Industrial water (Sadara)	-1.96%	0.16%	-1.85%

Source: The Company

The following table sets out the Group's year-on-year volume growth for electricity and water services provided in Yanbu:

Table (4.7): Volume growth for electricity and water services provided in Yanbu

Water/Electricity Service	Volume Growth in 2019G	Volume Growth in 2020G	Volume Growth in 2021G
Electricity	-3.97%	-5.07%	9.37%
Potable water	-26.72%	-2.70%	-8.69%
Sea water cooling	-1.21%	-3.87%	-4.54%
Process water	-5.12%	-8.26%	0.50%
Sanitary wastewater treatment	0.69%	4.76%	-4.55%
Industrial wastewater treatment	0.31%	-6.59%	2.82%
Irrigation water	2.61%	-3.95%	4.31%

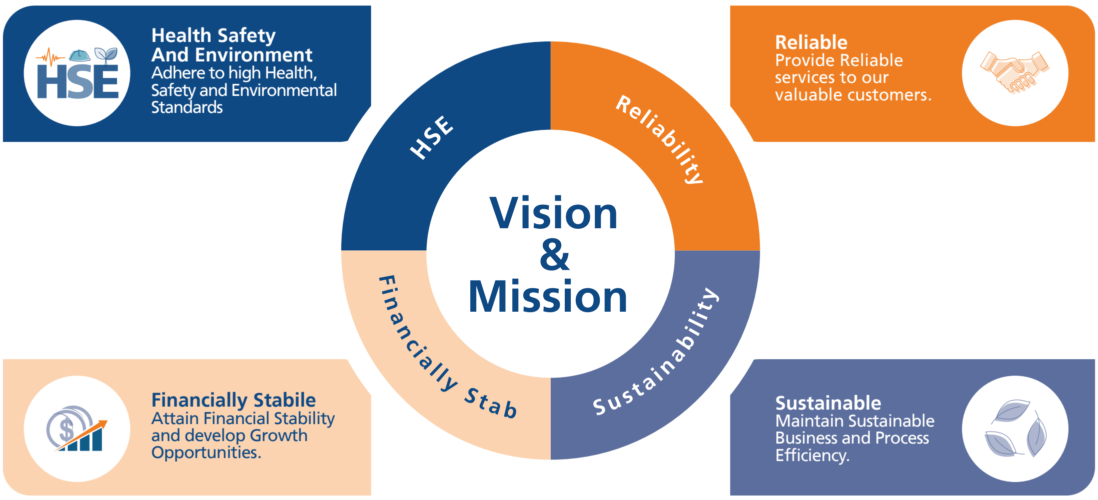
Source: The Company

4.4.2 Strategy

The Company applies industry best practices in formulating long-term strategy for its business. The strategy, goals, and long-term objectives are reviewed on an annual basis to track implementation and to reassess the strategic path in line with ongoing developments in the industry and evolving shareholder objectives. The Group's business strategy corresponds with the policy of the Government for the development of the water and electricity industry in the Kingdom. The Company's management believes that the following key strategic pillars will drive its revenues, profitability, and cash flows in the future.

The Company's corporate faith declared through its Vision and Mission statements is implemented throughout the organization through a dynamic and perpetual structure of long-term strategic objectives. In this process, working levels of organizational hierarchy are involved in identifying current year business priorities and action plans to establish the internal strategic foundation with an emphasis on organizational sustainability, and further positioning the Company as a leading company in the utility sector.

The strategic objectives of the Company are represented in the following four categories: health, safety and environment (HSE); reliability; sustainability and financial stability.



Source: The Company

The Group aims to leverage its existing strong asset base to accelerate its growth in its existing areas of operations in Jubail, Yanbu, RIC, and JCPDI

The Group is the sole supplier of electricity and main water services in Jubail and Yanbu and is the leading power and water sector provider in the Kingdom. As a result, the Group benefits from a strong asset base as a springboard for the Group's growth in providing reliable water and power services for both commercial and retail clients in Jubail and Yanbu, which are key strategic industrial cities in the Kingdom. The Group aims to further grow its business and operations as a result of the growth in these key cities.

The Group also aims to leverage on its successful track record with the Royal Commission to evolve its operations in further industrial cities where the Group has won key sole supplier positions. As such, in 2019G the Company was selected as the water service provider by the Royal Commission for RIC and power distribution and water service provider for JCPDI, two industrial cities currently under development. The Group's opportunities in RIC focus around providing utility operation and management services in RIC, potable water production and supply services, wastewater collection and treatment facilities, in addition to constructing a shuttle pipeline for potable water connecting Jubail and RIC water for more reliable supply of potable water in both cities and utilizing land for future power/water generation plant as applicable. The Group's opportunities in JCPDI focus on providing electric power distribution, treated water systems, desalinated and potable water production and distribution, future sea water cooling systems for heavy industries, and industrial and sanitary wastewater treatment and disposal.

The Group aims to realize strong growth from the Kingdom's Vision 2030 privatization drive and continued industrial growth of the Kingdom

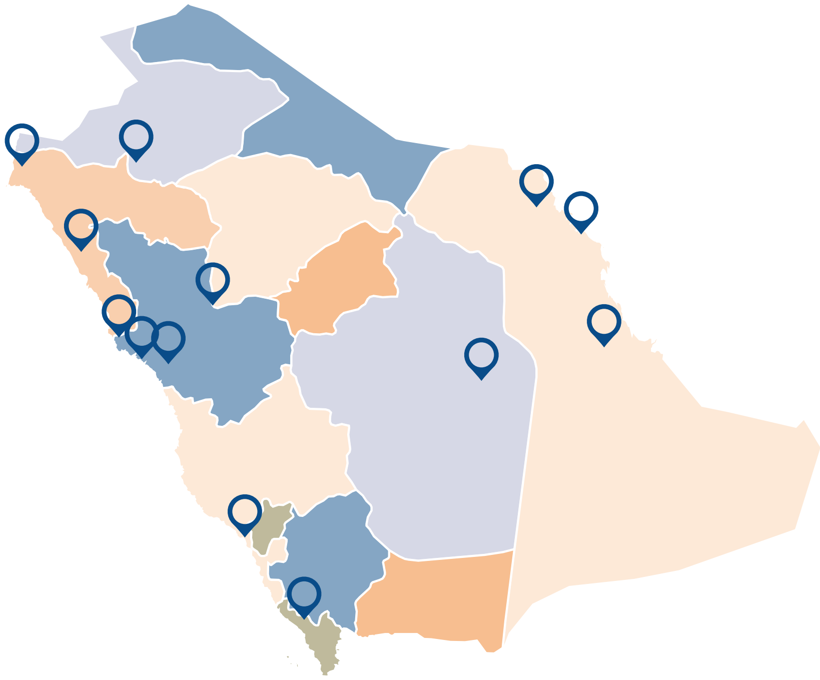
Based on the Group's history and current position as sole supplier of water and power utilities in Jubail and Yanbu, the Group is favorably positioned to be the preferred supplier of power and water utility services in most major industrial cities of the Kingdom of Saudi Arabia. Saudi Arabia is currently in the process of privatizing the power and water services sector consistent with one of the key goals of the Kingdom's Vision 2030 to invite investment in this sector and ensure the sustainability of these services. The Group aims to benefit from the Vision 2030 privatization initiative as a great opportunity to grow and enhance its power and water utility services. Because the Group is already the leading provider of utility services in the Kingdom, it believes it is well positioned to participate in the Kingdom's privatization initiatives and thus expand outside of its current operational and regulatory jurisdiction areas. In relation to this strategic aim to expand to other cities and projects, the Group has already started investing in the development of Greenfield projects.

In line with the Vision 2030 privatization drive, the Group is also benefitting from further industrial investment projects of the Kingdom. In particular, the Group has access to a range of growth opportunities, both in its Royal Commission-based service territories (Jubail, Yanbu, RIC and JCPDI), as well as seeking to be a provider of energy and water utility services across the Kingdom, including projects procured under competitive bidding for other customers (e.g., the Jeddah II ISTP project).

Recently, the Group has also evolved as a strong developer in the Saudi market, partnering with leading international water and power players such as ENGIE, Alfanar, Marubeni, Saur International and Veolia. The Group has also established excellent relationships with local and international financing institutions that help provide competitive financing for development projects targeted by the Group. The Company has also been qualified as the lead developer and/or technical member for independent water and sewage wastewater projects by SWPC and water and cogeneration projects from Saudi Aramco.

As the sole water purchaser in the KSA, other than RC areas, the Saudi Water Partnership Company (SWPC) announced that it is expecting to float several Independent Water Project (IWP) and Independent Sewage Treatment Plant (ISTP) projects during the upcoming five years. The Group is aiming to participate in some of these projects based on its past engagement experiences, approved framework for project selection, and availability of resources. The Company believes that these projects have the potential to contribute significantly to its business and prospects.

The Company pursues growth opportunities by participating in tenders announced by SWPC for upcoming projects. In addition, there are fourteen (14) potential projects that the Company may seek to participate in, with a total daily capacity of more than six (6) million m³ of water and 4,200 MW of electric power. The Company shall follow its necessary competitions procedures to take decisions related to its desire to participate in these projects according to preference. The following diagram shows the main water and wastewater projects within the Royal Commission area and across the Kingdom where the Group is participating, exploring, and planning to participate during upcoming 5 years.



Opportunity/Project
• Rabigh-4 IWP
• Ras Mehaisen IWP
• Jazan - 1 IWP
• NEOM IWP
• Amaala Utilities PPP
• Juranah IWSR
• Rais-Rabigh Water Pipeline
• Taiba IPP
• Tabuk 1 IWP

Opportunity/Project
• Ras Al-Khair-2 IWP
• Qiddiya Utilities PPP
• Haer ISTP
• Riyadh & K.Mushati ISTP
• Jafuorah SWRO
• Riyadh SWW Package - 5 & 6 LTOMC for NWC

Source: The Company

In addition, there are a number of potential new projects and investment opportunities in the areas of the Royal Commission. The Company shall study these investment opportunities and the prospect of making offers and participating in any of these projects (including the reuse of wastewater and the operation and maintenance of gas pipes as well as any other potential projects).

The Group aims to further enhance its asset utilization to increase its profitability

The Group's management is actively looking for opportunities to improve the utilization for its existing asset base. The projects and opportunities that the Group is currently analysing and aiming to take forward are:

- Serving Yanbu Town with required potable water supply (vary from 1,000 till 20,000 m³/day) which is in discussion between the Company and SWCC.
- Coordination with Saudi Power Procurement Company (as the principal buyer) to sell surplus power of Yanbu power facilities to utilize the Group's currently surplus power.
- Identify mechanisms for segregation and measurement of power exchange at inter-tie point through a system operations agreement (SOA).

The Group aims to reduce its water losses, optimize the efficiency of water assets , and reduce energy intensity

The Group has implemented several measures in Jubail and Yanbu to reduce water losses. The measures implemented in Jubail involved the installation of water flow probes at JWAP's transmission lines A and B; the identification of specific locations that suffer weak pipe portion at JWAP's transmission lines A and B and resolving them; the installation of tank overflow monitoring sensors at Stage 4 NWPS (North West Pump Station), replacement of flowmeters in the (North West Pump Station) Stage 2 NWPS outlet, installation of flow data logger at all the major industrial customers and integrate it with central control room, replacement of existing 20,000 potable water meters into a more accurate and reliable meters (Class C) and installation of DMZ in community and industrial area.

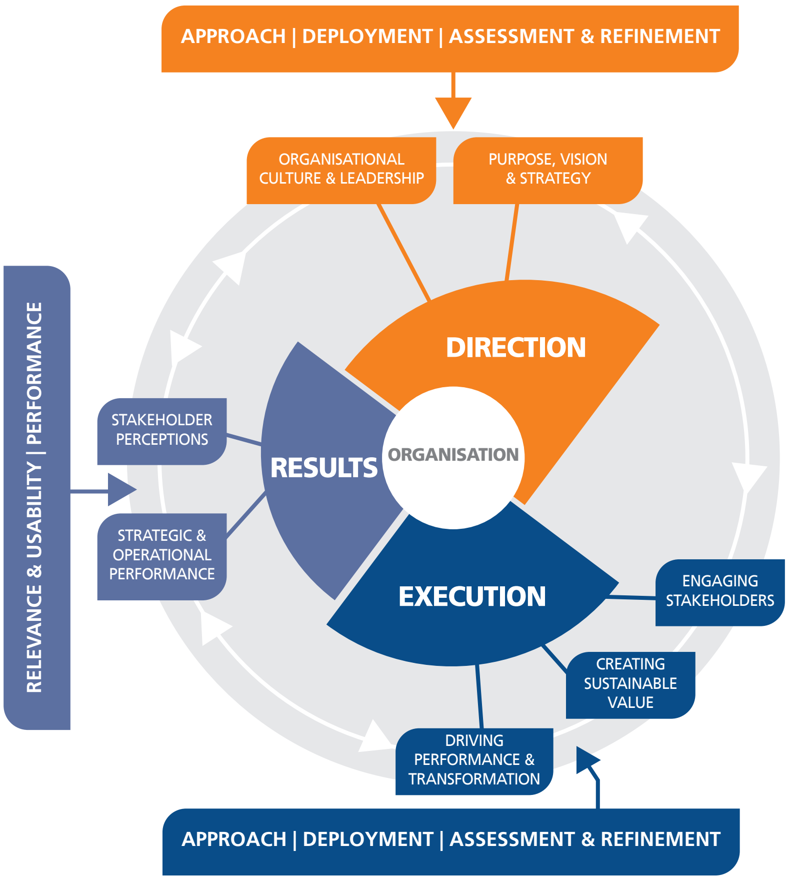
The measures that were implemented in Yanbu involved conducting a root cause analysis (RCA) to help decrease water consumption in Yanbu (all categories) and establish related action plans, detecting water leaks in local communities and industrial areas, reducing the time duration for repairment of pipe failures and service interruption time overall, automating the pumps stations to stabilize pressure and reduce pipe breaks, replacing the existing 15,000 PW meters for more accurate and reliable meters (Class C), installing the district metering zones in industrial areas, completing the air release valves (ARV) maintenance plan, and implementing the valve replacement program.

The Group aims to further engage in initiatives to reduce water losses through various initiatives in particular optimization of the water grid, provide 100% of customers with smart water meters and various other measures.

Adopting a Culture of Excellence including enhancing safety and IT cybersecurity and developing its workforce

The Group strives to maintain a culture of organizational excellence by adopting the European Foundation for Quality Management (EFQM) framework, in order to ensure increased efficiency of operations, continuous development and an absolute commitment towards delivering sustainable value for stakeholders. The application of the EFQM also aims to raise the standard of performance compared to other regional and global institutions. The Group strives to be recognized by EFQM and to compete with institutions of high excellence. The Group has trained internal cadres of distinguished engineers in order to carry out internal assessments on a continuous basis, which helps to sustain improvement and development in its performance.

Figure (4.3): Adopting a Culture of Organizational Excellence



As part of the overall excellence initiatives, the Group measures its performance with various key performance indicators, including measuring incident rates at Jubail and Yanbu (through direct hire and contractors), safety performance index (through direct hire and contractors) at Jubail and Yanbu, and the Safety Health Environment Performance Index Common (through direct hire and contractors) (Jubail and Yanbu). These KPIs were established following the international standard of safety performance monitoring and with support from Britch Safety Council.

The Company aims to improve its obligation and to develop further a culture of safety amongst its staff. It plans to roll out a transformational safety program under the title SALEM, an acronym for Safety Assurance and Leadership Engagement of the Company.

Table (4.8): 2022G Corporate Key Performance Indicators on the transformational safety program

2022G Corporate KPI	Unit of Measure	Actual				Targets		
		2021G	2021G	2022G	2023G	2024G	2025G	2026G
SHEPI	N/A	3.87	0.428	0.360	0.370	0.352	0.334	0.317
Process Safety Incident Rate	N/A	0.0	0.095	0.090	0.090	0.090	0.090	0.090

Source: The Company

The Group's management realized the urgency to enhance the IT cybersecurity maturity to an acceptable level that will enable the business to perform its functions without disruption, and to reduce cybersecurity risks to an acceptable level. The assessment resulted in 37 observations that cover IT, IT security, information security and government, and risk and compliance.

The "SAP SuccessFactors" system implementation was lunched in 2020G and is now progressing towards implementation of phases II and III of (SAP SuccessFactors), which represents another significant step in the digital transformation of human resources management and review of staff performance, facilitating the completion of procedures electronically through multiple smart devices. The implementation strategy is under progress and is being evaluated by the SAP SuccessFactors committee.

The Group has developed and implemented a digitalization strategy

The Company has implemented and launched many strategic projects including the following:

- Started a project to shift to (SAP S/4HANA), which is one of the digital transformation initiatives, in partnership with SAP Saudi Arabia. The Digital System Center - through a range of cloud systems - will be utilized to further advance the company's vision and objectives in line with the Saudi Vision 2030. It will also help the company keep abreast of the technological developments taking place in international companies by enabling the use of modern technologies such as big data, IoT, and AI.
- Completed the SAP system for Jazan Plant and the Work Permit system for MaSa.
- Completed the e-Banking system with Banque Saudi Fransi (BSF) and implemented the regulatory requirements of the Water and Electricity Regulatory Authority for the year 2018G.
- Held 13,923 meetings electronically using the WebEx Program, and strengthened the intranet in the Head Office buildings, including parking lots and elevators, in Jubail using 70 signal boosters (network boosters).
- Linked the fiber optic network in Yanbu to enable the proper infrastructure for IT/OT integration, which helped save the monthly subscription fees of the communication operator services at high speed exceeding 10 Gbps.
- The Data Center of the new Head Office in Jubail Industrial City obtained Tier II Design certificate from Uptime Institute, which indicates the high efficiency of the Data Center and its ability to enable business continuity.
- Participated in the protection of digital transformation projects to achieve the Company vision and objectives in cooperation with the Cybersecurity Department, and to face cyber-attacks targeting the Group and other vital establishments in Saudi Arabia. This will be achieved by improving the cybersecurity and the quality of the procedures and policies of the Control Center and protecting the systems from any risks.
- The Cybersecurity Department launched the email security portal at the Disaster Recovery Center and successfully tested it to ensure the necessary support for business continuity.
- All employees' transactions and processes from hire to retire have been automated to facilitate the company procedures. Various IT systems in relation to such transactions and processes have also been automated to shift from the paper-based procedures to an electronic system known as "Authority Management", which is a process that should reduce the request processing time from 15 minutes to immediate implementation.
- The following security service access have been automated: Remote access to the intranet and internet and remote access to email via mobiles, which will reduce the time needed to carry out operations and improve the users' experience. The Cybersecurity Department contributed to the design and preparation of safe access to the online metering service in Yanbu Industrial City.

- The Group supported the employees' information security service by adopting safe and encrypted methods to access its systems. The company also leveraged its systems access accounts by adding another identity verification method through SMS, which was used during work hours because of COVID-19.
- Had the access transactions monitored by the Cyber Security Control Center on a 24/7 basis and strengthened the industrial systems control through specialized monitoring devices to detect the information security incidents and risks.
- Established information security governance, risk, and compliance frameworks with an 86% completion rate, which is considered a significant achievement.
- Launched a monthly cybersecurity awareness program and designed a mandatory training bag aiming to raise the level of employees' maturity and inform them of the most serious cyber threats and ways to combat them to maintain the integrity of the company's network and ensure the sustainability of its facilities as recommended by the Cyber Security Authority.
- Established an office for data management, participating projects supervision and connectivity of the data that is important to relevant government agencies. The aim is to enable the best use of such data and develop accurate national studies that will help make proper decisions in line with the national directions of Saudi Data and Artificial Intelligence Authority (SDAIA) National Data Management Office and in coordination with the Unified Data Management Office in the energy system.

4.5 Key Financial and Operational Performance Indicators of the Company

Key Financial Performance Indicators

The table below sets out the key financial indicators of the Group as at and for the financial years ended 31 December 2019G, 2020G, 2021G and as at and for the three-month periods ended 31 March 2021G and 31 March 2022G.

Table (4.9): Key Financial Indicators

Key Financial Indicators	As at and for the year ended 31 December			As at and for the three-month period ended 31 March	
	2019G	2020G	2021G	2021G	2022G
	(MSAR)				
Total Assets	23,510	24,112	24,110	24,098	24,270
Total Liabilities	16,632	17,124	16,559	16,956	16,475
Total Revenues	6,108	6,092	6,192	1,422	1,462
Gross profit	520	628	905	188	221
Net income for the period	213	290	665	104	143
Net Debt (1)	13,959	13,861	13,186	13,545	12,960
EBITDA (2)	2,044	2,004	2,167	509	504
Net Debt / EBITDA	6.83%	6.92%	6.08%	26.6%	25.7%
Cash Cost of Service – Power (SAR / Kwh) (3)	11.43	11.80	10.87	10.86	10.83
Cash Cost of Service – Water (SAR/ m^3) (4)	3.48	3.42	3.45	3.44	3.42

Source: The Company

(1) Net Debt is calculated as the sum of reported year end position of the following: cash and cash equivalents, short-term deposits, bank loans and borrowings, finance lease liabilities, obligations for assets transferred, obligation for post-retirement benefits, other non-current liabilities, and deferred tax liability.

(2) EBITDA is calculated earning before interest, tax, depreciation and amortization.

(3) Cash Cost of Service for power is calculated as the price in SAR paid per kilowatt hour.

(4) Cash Cost of Service for water is calculated as the price in SAR paid for water per cubic meter.

The table below sets out the breakdown of the Group's revenues by product class for the financial years ended 31 December 2019G, 2020G, 2021G and for the three-month periods ended 31 March 2021G and 31 March 2022G.

Table (4.10): Revenues by Product Group

Product Group	Financial year ended 31 December			3 Month period ended 31 March	
	2019G	2020G	2021G	2021G	2022G
	(MSAR)				
Power	1,506	1,471	1,559	359	375
Seawater Cooling	489	520	521	113	106
Potable & Process Water (SWRO, storage and distribution)	1,417	1,465	1,466	339	355
Industrial Wastewater (collection and treatment)	182	183	184	41	44
Sanitary Wastewater (collection and treatment)	93	100	95	26	27
Irrigation/Reclaimed Water	27	28	32	6	5
Tawreed/JWAP Income	2,255	2,238	2,219	511	521
Sales Gas	32	38	64	20	20
Adjustments	106	49	52	7	9
Total	**6,107**	**6,092**	**6,192**	**1,422**	**1,462**

Source: The Company

The table below sets out the revenues generated from the services provided by the Group by location for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month periods ended 31 March 2021G and 31 March 2022G.

Table (4.11): Revenues by location

Revenues by location	Financial year ended 31 December			3 Month period ended 31 March	
	2019G	2020G	2021G	2021G	2022G
	%				
Yanbu	1,997	1,949	2,035	473	498
Jubail	3,646	3,718	3,694	936	952
Other[(1)]	464	424	464	13	12
Total	**6,107**	**6,092**	**6,192**	**1,422**	**1,462**

Source: The Company

[(1)] Other revenues include revenue generated from newly established locations (Jazan and Ras Al Khair) in addition to revenue adjustments that could not be allocated to specific locations.

Key Operational Performance Indicators

In 2021G, the Group's wastewater treatment availability and gas availability in terms of outages and equipment or seasonal failures amounted to 100%. The table below sets out key operational performance indicators of the Group for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month periods ended 31 March 2021G and 31 March 2022G.

Table (4.12): Key Operational Performance Indicators

Key Operational Indicators	Financial year ended 31 December			3 Month period ended 31 March	
	2019G	2020G	2021G	2021G	2022G
Reliability					
Availability Power (in %)	94	90	90	84	83
Availability Water (in %)	89	94	98	99	83
Availability Seawater cooling (in %)	92	95	94	92	90
Production Un-Reliability (in %) (1)	3.55	3.22	2.74	0.86	1.03
Customer Interruptions (min)	15.8	3.8	6.4	1.1	2.1
Sustainability					
Environmental Compliance & Quality (2) (in %)	95	98	99	99	98
Total GHG emissions (kg CO2e / kWh)	0.77	0.78	0.72	0.72	0.73
Project Schedule (3) (#)	0.99	1.01	0.77	0.92	0.85
Average time to resolve complaints (in days)	n/a	n/a	2.0	2.8	1.6
Saudization (in %)	80	80.1	81.4	80.5	81.6
Attrition (in %)	5.1	2.3	3.2	0.70	0.92
Water Losses (in %) (4)	9.0	7.0	11.1	5.7	11.8

Source: The Company

(1) Production Un-Reliability refers to the unreliability of assets based on an estimation of the percentage of forced and maintenance outage of different service lines as calculated by Management. Lower values show a higher reliability.

(2) Environmental Compliance & Quality percentage refers to the percentage of compliance with regulatory requirements based on a testing & sampling mechanism. Higher values show a higher compliance ratio with regulatory requirements.

(3) Project Schedule refers to the progress based on the schedule performance index. The schedule performance index is a measure of how close a project is to being completed compared to the schedule. The ratio is calculated by dividing the work already performed by the planned value as per the original project schedule. A value higher than 1 means projects are progressing better than planned, a value below 1 means projects run behind schedule.

(4) The actual water losses for the year 2021G are mainly due to high volume of water losses at the Azmil project (pipe break) at Jubail.

4.6 The Group's principal activities and business

The Group's core business is the operation, maintenance, construction, and management of (i) electric power systems, (ii) seawater cooling systems, (iii) desalinated water systems (including storage and distribution of process and potable water), and (iv) sanitary and industrial wastewater treatment systems to provide essential utility services to governmental, industrial, commercial, and residential customers in the industrial cities of Jubail and Yanbu. The Group has also been selected by the Royal Commission as the sole power and water service provider for RIC and JCPDI. In addition, the Group distributes sales gas in the Light Industrial Park area of Yanbu Industrial City. The Group is also in the process of constructing and commissioning wastewater treatment facilities in Jeddah.

4.6.1 Power related activities

The Company is the sole provider of power-related services in Yanbu industrial city. The Group generates power in Yanbu from a number of gas turbine generators ("**GTG**") and steam turbine generators ("**STG**"). The present power facilities at Yanbu I consist of nine GTGs, three operating STGs, which together with three additional STGs from the Yanbu II Project have brought the total operating generation capacity to approximately 2,030 MW. The power generated is then transmitted and distributed to the Yanbu industrial city through high-voltage switchyards and distributed at different voltages up to 380 KV through a 440 km network of ecologically sensitive underground cables within the Yanbu boundaries. In 2021G, the Group started to wheel power (55 MW) from Yanbu power plants to its facilities in Jubail. The Company entered into an agreement with the Saudi Power Procurement Company (Principal Buyer) to secure power for JCPDI, where the Principal Buyer provides bulk power supply to the Group for distribution to meet the demand of JCPDI's consumers.

The Company enters into utility user agreements ("**UUA**") with its industrial customers for the provision of power services, which include standard provisions usually included in UUAs (for further details on the material agreements entered into by the Company, please see Section 12.6.1.1 ("**Utility User Agreements**") of this Prospectus). For non-industrial customers, the Company enters into consumption agreements for power related services.

The power plants in Yanbu 1 and Yanbu 2 have 115kV switchyards and 380kV switchyards to which the generating units are connected. To distribute the power to various industrial and community customers, many substations are geographically located at strategic locations. There are four major industrial substations in Yanbu 1 apart from the 115kV switchyard in the power plant, which serve most of the industrial customers. Also, there are three major community substations serving most of the community loads. There are six satellite substations fed from major substations that provide power to some of the selected areas. In Yanbu 2 there is 115kV switchyard, a 380kV switchyard, and one industrial substation.

In addition to the Group's power-related services in Yanbu industrial city as described briefly above, the Group is also involved in the generation of power in Jubail industrial city through its ownership in JWAP, a 30%-owned subsidiary of the Company. JWAP produces power and water from its cogeneration facility and then sells all of its power and water capacity and output to Tawreed (for further details on Tawreed, please see Section 4.7.2 ("**Material Subsidiaries**") of this Prospectus), which in turn sells the entire power output to the Saudi Power Procurement Company (Principal Buyer) and 62.5% of the water output to Saline Water Conversion Corporation ("**SWCC**") and 37.5% to Marafiq.

As at the date of this Prospectus, the Group does not conduct any power-related activities in RIC. In JCPDI, it only sells and distributes the power it purchases in bulk from the Principal Buyer.

As at August 2022G, the Company had 13,658 residential customers, 1,489 commercial customers, 160 industrial customers and 3,972 government customers for whom power is distributed in Yanbu and JCPDI. Overall, there are 26 substations in Yanbu with a network distribution of 3,558 km and two substations in JCPDI with a network distribution of 42 km.

The Group's overall revenues from power-related activities for the financial years ended 2019G, 2020G and 2021G and the three-month periods ended 31 March 2021G and 31 March 2022G were SAR 3,198 million, SAR 3,120 million, SAR 3,191 million, SAR 726 million and SAR 739 million, respectively.

All power activities of the Group, including cogeneration, are governed by the recently promulgated Electricity Law and the regulator for this is the Water and Electricity Regulatory Authority ("**WERA**"). Please refer to Section 12.5 ("**Key Licenses and Approvals**") of this Prospectus for a summary of the Group's licenses.

4.6.2 Water-related activities

Overview of potable and process water activities

The Company provides potable water to its governmental, industrial, commercial, and residential customers in the industrial cities of Jubail and Yanbu, and process water to industrial customers in Yanbu. The Group's desalination plants produce potable and process water for domestic and industrial use.

Potable water in Jubail is primarily sourced from JWAP (a subsidiary of the Company). The Company has a contract with Tawreed for purchase of up to 300,000 m³/day of potable water and a separate contract with Al Fatah International for Water & Power Works ("**Al-Fatah**") for the purchase of up to 75,000 m³/day of potable water. For further details on Tawreed, please see Section 4.7.2 ("**Material Subsidiaries**") of this Prospectus. A further 100,000 m³/day of potable water is available from the Company's own SWRO plant in Jubail. Overall, the Company has a potable water production capacity of 1,079,000 m³/day in Jubail, including a total of 800,000 m³/day of potable water from the JWAP project.

The Company also operates an SWRO plant in the SADARA chemical complex in Jubail pursuant to the Industrial Water Supply Agreement with SADARA Chemical Company (Sadara account for approximately 6% of the Group's revenue in 2021G). It is the largest captive water desalination plant in terms of capacity in the Kingdom (178,000 m³/day) serving the SADARA petrochemical complex that is built in a single phase with a 20% design margin. Tow cooling water make-up storage tanks with a total capacity 180,000 m³ are available within the SWRO Plant (24-hours storage, in case of plant outage). The SADARA contract (IWSA) of the Company is on a "**BOO**" basis with operations and maintenance of the plant covering a period of 20 years. As at the date of this Prospectus, the Group's aggregate potable pipeline amounts to 2,536 km in length.

In JCPDI, the Royal Commission (in coordination with Saudi Aramco) is in the process of transferring to the Company an SWRO plant and a centralized plant for the collection and treatment of sanitary and industrial wastewater.

In RIC, the Royal Commission is in the process of transferring to the Company certain facilities for the storage and distribution of potable and process water.

Other than JWAP's cogeneration activities, which are governed by the Electricity Law as mentioned above, the Company's desalination, storage, and distribution activities are governed by the recently promulgated Water Law, and the regulator in relation to the non-industrial water services (i.e. potable water) is the Ministry of Environment, Water and Agriculture ("**MEWA**"), whereas the regulatory role in respect of industrial water services (i.e. process water) has been delegated to the Royal Commission board. For further details as to the regulatory framework applicable to the Group's activities, please see Section 3-4-2 ("**Regulatory Framework**") of this Prospectus. Please also refer to Section 12.5 ("**Key Licenses and Approvals**") of this Prospectus for a summary of the Group's licenses.

Overview of seawater for cooling activities

Heavy industries need cooling water for their operations and, with the industrial cities of Jubail and Yanbu being near the coast, seawater is used as an external cooling agent. The Group supplies filtered and chlorinated seawater to these heavy industries for their process cooling needs. The installed capacity at Yanbu is approximately 1.11 million m³/hour (700,000 m³/hour for Yanbu-I and 412,500 m³/hour for Yanbu-II) of seawater cooling and at Jubail the installed capacity is 1,245,600 m³/hour, the Jubail-2 booster pumping station has 200,000 m³/hour capacity and there is an additional capacity of 48,000 – 80,000 m³/hour currently under construction. As at the date of this Prospectus, the Group's aggregate seawater cooling pipeline amounts to 255 km in length.

As at the date of this Prospectus, seawater for cooling activities is not regulated under any specific law. The Group operates primarily pursuant to COM No. 57 (please refer to Section 4.3.3 ("**History and Evolution**") of this Prospectus for further details).

Overview of industrial and sanitary wastewater related activities

The Group collects Industrial Wastewater ("**IWW**") and Sanitary Wastewater ("**SWW**") from both the industrial customers and the community area with the help of separate well-maintained industrial waste and sanitary waste collection networks in Jubail and Yanbu. The wastewater from these two sources is treated in separate plants through a biological process. In addition, the Group also receives sanitary wastewater from the town of Jubail for treatment. The revenues from each stream are recorded separately (for further details on the revenues from these activities, please refer to Section 4.5 ("**Key Financial and Operational Performance Indicators of the Company**") of this Prospectus).

The installed capacity for the treatment of IWW and SWW at Jubail and Yanbu is 292,000 m³/day and 95,000 m³/day respectively. A new plant in Jubail, which is under construction right now, has an additional construction capacity of 120,000 m³/day for SWW and 125,000 m³/day for IWW.

The Company's IWW and SWW collection and treatment activities are governed by the recently promulgated Water Law and the regulator in relation to the non-industrial water services (i.e., SWW) is MEWA whereas the regulatory role in respect of industrial water services (i.e., IWW) has been delegated to the Royal Commission board. For further details as to the regulatory framework applicable to the Group's activities, please refer to Section 3-4-2 ("**Regulatory Framework**") of this Prospectus. Please also refer to Section 12.5 ("**Key Licenses and Approvals**") of this Prospectus for a summary of the Group's licenses.

Irrigation water/reclaimed water is the product of treated IWW and SWW and is used mainly for irrigation purposes. The irrigation water supplied by the Company plays a key role in the green revolution in the industrial cities of Jubail and Yanbu, helping to protect the environment and ensuring optimum use of the precious natural resources. In Jubail, any surplus of irrigation water is stored in an artificial, large lagoon. In Yanbu, any surplus of irrigation water is discharged to the sea.

4.6.3 Sales Gas

The Group's sales gas distribution business was initiated at Yanbu in 2009G, and commercial operation commenced in September 2011G. The sales gas distribution system focuses on supplying sales gas directly from high-capacity pipelines to small users in the light industrial park ensuring safe and reliable network operations of sales gas distribution. As at the date of this Prospectus, the Group's aggregate gas distribution network amounts to 11 km in length.

Sales gas capacity is based on allocations from the Ministry of Energy and the allocation has increased to 55 MMSCFD to meet expected new demand. The Company procured natural gas for its sales gas distribution at a price of SAR 4.69 / MMBtu in 2021G.

Sales gas revenues in 2021G amounted to 1% of the Group's overall revenue and is expected to continue to be a relatively small share of total revenue.

4.6.4 The Group's Significant New Activities and Products

There are no significant new products or activities other than those described in this section.

4.7 Material Subsidiaries

4.7.1 Overview

The Material Subsidiaries of the Company, which are Subsidiaries which contribute to the equivalent of 5% or more of the Group's total assets, liabilities, revenues or income as at 31 December 2021G, or those Subsidiaries that the Company considers important for disclosure purposes which may affect the decision to invest in the Company's Shares, namely – as a result of the 5% threshold – (i) JWAP, (ii) MaSa and (iii) Tawreed.

4.7.2 Material Subsidiaries

Jubail Water and Power Company (JWAP)

Jubail Water and Power Company ("**JWAP**") was incorporated on 23 April 2007G as a Saudi closed joint stock company, established pursuant to Royal Decree No. M/27 dated 21/03/1428H (corresponding to 09 April 2007G) and registered in Jubail, the Kingdom of Saudi Arabia under commercial registration number 2055008295 dated 06/04/1428H.

As at the date of this Prospectus, JWAP authorized and paid-up share capital is (SAR 882,500,000) divided into 88,250,000 ordinary shares with a par value of SAR 10 per share, of which the Company owns a 30% shareholding. The table below shows the shareholding structure of JWAP as at the date of this Prospectus.

Table (4.13): Shareholders of JWAP

Shareholders	Number of Shares	Par Value of Shares (SAR)	Shareholding Percentage
SGA Marafiq Holding WLL	52,950,000	529,500,000	60%
Marafiq	26,475,000	264,750,000	30%
Water and Electricity Holding Company (WEHC)	4,412,500	44,125,000	5%
Saudi Electricity Company (SEC)	4,412,500	44,125,000	5%
Total	**88,250,000**	**882,500,000**	**100%**

Source: The Company

JWAP's plant has a capacity of 2,743.6 MW of power and 800,000 m³/day of water. It is a dual-purpose facility, with the power plant based on combined cycle generation, which comprises 4 power blocks consisting of 3 GTGs and 1 STG each. The water facility comprises 27 desalination units and is based on multi-effect distillation (MED) technology. The plant uses sales gas as the primary fuel and distillate No. 2 as back-up fuel. Tawreed has entered into a power and water purchase agreement with JWAP to off-take all of the power and water capacity and output. This power and water purchase agreement between Tawreed and JWAP, which is dated January 2007G, will expire on the 20th anniversary of the commencement of the commercial operation of the project (the commercial operation commenced in 2010G). In turn, Tawreed sells the entire power output to Saudi Power Procurement Company (Principal Buyer) and 62.5% of the water output to Saline Water Conversion Company ("**SWCC**") and 37.5% to the Company. JWAP is responsible for the operations and maintenance of the plant. The agreement between Tawreed, the SEC, and SWCC is dated 06 April 2009G and the agreement expires when the power and water purchase agreement expires (for further details on the power and water purchase agreement between Tawreed and JWAP and the agreement between Tawreed, the SEC and SWCC, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus).

The plant will be transferred to Tawreed at the end of 20 years of operation, which is expected to be in 27/06/1452H (corresponding to 25 October 2030G). The debt financing for the project comes from a syndicate of international, Korean, and Saudi Arabian lenders (referred as international facility, KEIC facility, and local facility). All payments to JWAP by Tawreed (both invoice payments and termination payments) are guaranteed by a credit support agreement with the Ministry of Finance of the Kingdom (for further details on the PWPA between JWAP and Tawreed, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus).

Marafiq Water and Power Supply Company (Tawreed)

Marafiq Water and Power Supply Company ("**Tawreed**") was incorporated on 16 December 2006G as a limited liability company registered in Jubail, the Kingdom under commercial registration number 2055007949 dated 25/11/1427H (corresponding to 16 December 2006G). Tawreed is wholly owned by the Company and its share capital is SAR 1,000,000 divided into 100,000 ordinary shares with a par value of SAR 10 per share.

According to its Commercial Registration, Tawreed's activities include electric power generation, distribution and wholesale of electric power, water desalination, water transport and distribution, wholesale of desalinated water, water transport through pipelines, natural gas transport through pipelines, and operation and maintenance of pumping stations and pipelines.

It is the off-taker company for buying the power and water produced by (JWAP). It on-sells the same to the Saudi Electricity Company (SEC), SWCC, and Marafiq. Tawreed has entered into a 20-year power and water purchase agreement with JWAP pursuant to which JWAP sells the entire power and water capacity and output of this plant to Tawreed at the rates stipulated (for further details on the power water purchase agreement between JWAP and Tawreed, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus).

MASA Services Company for Operation and Maintenance (MaSa)

MASA Services Company for Operation and Maintenance ("**MaSa**") was incorporated on 26 December 2011G as a limited liability company registered in Jubail, under commercial registration number 2055014785 dated 30/01/1433H (corresponding to 26 December 2011G). MaSa is wholly owned by the Company, and its share capital is SAR 35,000,000 divided into 3,500,000 ordinary shares with a par value of SAR 10 per share. Previously, MaSa was a joint venture with the French water infrastructure company SAUR International SAS, but SAUR's stake in MaSa has been acquired by the Company in 2021G and it is now a wholly owned subsidiary, which resulted in the cost savings of SAR 56 million.

According to its Commercial Registration, MaSa's activities include water collection, water desalination, water transport and distribution, reduce water salinity, and sewage disposal.

MaSa is responsible for the operation and maintenance of seawater cooling (Jubail only), Reverse Osmosis (RO) production plant (Jubail only and JCPDI), the process water network (Yanbu only), and the potable water network (Jubail, Yanbu, JCPDI and RIC) as well as sanitary and industrial collection and treatment systems (Jubail, Yanbu, JCPDI and RIC).

4.7.3 Other Subsidiaries

Marafiq Insurance Limited (MIL)

Marafiq Insurance Limited (MIL) is a captive insurance company, registered in 22/12/1426H (corresponding to 23/12/2005G) in Guernsey under commercial registration number 44134 with an authorized share capital of USD 1,600,000 (the equivalent of SAR 6,000,000 as at 31 March 2022G). It is wholly owned by the Company and underwrites the property and machinery breakdown insurance of the Company to the extent of USD 2.67 million (the equivalent of SAR 10,012,500 as at 31 March 2022G) per occurrence and USD 5.34 million (the equivalent of SAR 20,025,000 as at 31 March 2022G) in the aggregate. The authorized share capital of MIL is USD 1.6 million (the equivalent of SAR 6,000,000 as at 31 March 2022G) and the paid-up share capital is USD 560,000 (the equivalent of SAR 2,100,000 as at 31 March 2022G) divided into 1,599,999 shares each with a value of USD 0.35 (the equivalent of SAR 1.31 as at 31 March 2022G).

Jubail and Yanbu District Cooling Company

Jubail and Yanbu District Cooling Company is a limited liability company, established on 24/02/1431H (corresponding to 08/02/2010G) under Commercial Registration number 2055011479 dated 24/02/1431H. Its capital is SAR 1,000,000, and the Company owns 20% thereof. This company is one of the Company's Subsidiaries by virtue of the Company's control over its board of directors, as it has the right to appoint half of the directors according to Jubail and Yanbu District Cooling Company's articles of association. It should be noted that this company does not conduct any business as at the date of this Prospectus.

Jeddah Althaniya Water Company (Jeddah Project Co.)

Jeddah Althaniya Water Company ("**Jeddah Project Co.**") was established on 12 September 2019G as a closed joint stock company registered in Jeddah, the Kingdom under commercial registration number 4030357564 dated 09/10/1440H (corresponding to 13 June 2019G). Its authorized and paid-up share capital is SAR 500,000 of which the Company owns 45% shareholding while Veolia Middle East Company and Alamwal Al-Khaleejiah Al-Thaniya Company own 20% and 35% of the shareholding, respectively.

According to its Commercial Registration, Jeddah Project Co.'s activities include operation of sewage treatment networks and facilities.

The table below shows the shareholding structure of Jeddah Project Co. as at the date of this Prospectus.

Table (4.14): Shareholders of Jeddah Project Co.

Shareholder	Number of Shares	Par Value of Shares (SAR)	Shareholding Percentage
Marafiq	22,500	225,000	45%
Veolia Middle East Company	10,000	100,000	20%
Alamwal Al-Khaleejiah Al-Thaniya Company	17,500	175,000	35%
Total	**50,000**	**500,000**	**100%**

Source: The Company

Jeddah Project Co. is a project company established for the purpose of managing, operating, and maintaining the sewage collection and treatment plant of Jeddah Airport II.

Jeddah Althaniya Operation and Maintenance Company (Jeddah O&M Co.)

Jeddah Althaniya Operation and Maintenance Company ("**Jeddah O&M Co.**") was established on 16 May 2019G as a limited liability company registered in Jeddah, the Kingdom under commercial registration number 4030356633 dated 11/09/1440H (corresponding to 16 May 2019G). Its share capital is SAR 300,000 of which the Company owns 49% shareholding with Veolia Middle East Company owning the remaining 51%.

According to its Commercial Registration, Jeddah O&M Co.'s activities include operation of sewage treatment networks and facilities and establishment of sewage stations, projects, networks, and pumps.

The table below shows the shareholding structure of Jeddah O&M Co. as at the date of this Prospectus.

Table (4.15): Shareholders of Jeddah O&M Co.

Shareholder	Number of Shares	Par Value of Shares (SAR)	Shareholding Percentage
Marafiq	14,700	147,000	49%
Veolia Middle East Company	15,300	153,000	51%
Total	**30,000**	**300,000**	**100%**

Source: The Company

Jeddah O&M Co. is an O&M company established for the purpose of providing treatment for wastewater and constructing and repairing sewage treatment plants, sewage systems, and pumps in Jeddah airport II plant.

4.8 Overview of the Group's Material Properties and Facilities

The Group's headquarter is located in Jubail Industrial City on the Arabian Gulf, 100 Street, Jubail, Kingdom of Saudi Arabia, and it has a branch office in Yanbu Industrial City. The Group operates its offices for RIC and JCPDI remotely. The Group does not own any material real estate properties.

4.8.1 Overview of the Royal Commission finance lease arrangements

Pursuant to COM No. 57, (i) the Royal Commission is required to grant leasehold rights to the Company over the existing and future power and water assets (comprising infrastructure assets and facilities) that the Royal Commission owns or constructs in Jubail and Yanbu, (ii) the ownership of such assets will be transferred to Marafiq upon the lapse of the lease contracts, and (iii) Marafiq may construct its own facilities that it may operate to provide the utility services. Pursuant to Council of Ministers resolution No. 355 dated 30/10/1430H (corresponding to 19 October 2009G) and the Royal Order No. 75916 dated 22/12/1438H (corresponding to 13 September 2017G), the Royal Commission was mandated to manage and develop the cities of RIC and JCPDI in the same manner it manages and develops Jubail and Yanbu pursuant to Royal Decree No. (M/75) dated 16/09/1395H (corresponding to 22 September 1975G). For further details on the Royal Commission's mandate, please refer to Section 4.3.3 ("**History and Evolution**") of this Prospectus.

The Royal Commission also owns all the real estate properties within the four industrial cities of Jubail, Yanbu, RIC and JCPDI. This means that the Company leases all its power and water assets and facilities and the relevant land in these cities from the Royal Commission.

The Company and the Royal Commission have since entered the RC Master Lease dated 01 January 2003G as approved by the MoF, which governs the relationship of the parties in respect of leasing real estate properties and assets within the industrial cities. Annexes (C) and (D) of the RC Master Lease set out the template land lease agreements and asset finance lease agreements, respectively, which are executed between the parties from time to time to account for new properties and/or assets that are being leased. The maximum term of the assets lease agreements is 25 years, and the term of the land leases should not exceed 50 years. The Company also enters into land lease agreements with the Royal Commission that do not take the form of the template annexed to the RC Master lease for other plots of land that the Company wishes to construct its assets on, or which are required for purposes other than constructing and operating facilities (e.g., offices, residential units, etc.). For further details on the lease arrangement between the Company and RC, please refer to Table 12.40 ("**Summary of the Group's Lease Agreement**") of this Prospectus.

4.8.2 The Group's Facilities and Plants in Jubail

Description of Jubail

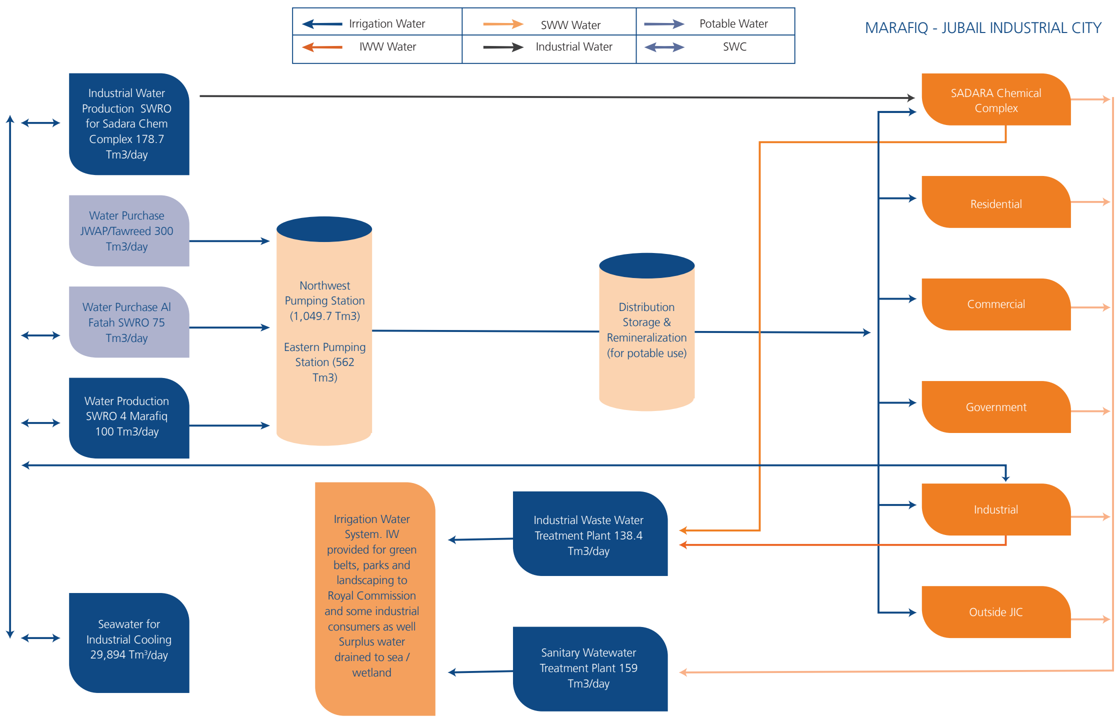
Jubail is a city in the eastern province on the Arabian Gulf coast of the Kingdom. It is the largest industrial city in the Middle East. It comprises the old town of Al Jubail, which was a small fishing village until 1975G, and the new industrial area.

Extending along 15 km of coastline, Jubail's King Fahd Industrial Port includes 7 terminals with 25 berths, a service harbour, bulk cargo and container handling equipment and marine support facilities. The port handles crude oil from the eastern province delivered through the east to west pipelines. The terminal consists of four loading berths connected to the shore by a trestle and causeway. Two berths can be used concurrently, providing for a maximum loading rate of 300,000 barrels/hour.

Jubail II is being developed west of Jubail I by the Royal Commission for Jubail and Yanbu. The total area is about 62 km^2 and lies in close proximity to the feedstock resources and other infrastructure facilities in the industrial city of Jubail, which are being expanded to meet the forecasted growth of Jubail II. Jubail II will add a second industrial area to accommodate new investors with diversified portfolios. The Company has a seawater booster pump station in Jubail II and targets to have additional business lines through new seawater cooling tower facilities and an industrial wastewater treatment plant. The infrastructure expansions are carried out in accordance with the Jubail Industrial City (JIC) Master Plan to facilitate new industries.

Overview of services provided in Jubail

Figure (4.4): Services provided in Jubail



Source: The Company

The Group's Jubail operations are focused purely on water services and maintenance activities and on providing water utilities in Jubail. Jubail operations include seawater for cooling systems, potable water production and supply, and sanitary and industrial wastewater collection and treatment. Jubail also houses the Group's corporate head office where all central services are provided to both the industrial cities of Jubail and Yanbu. Jubail water operations comprise of four primary categories: potable water distribution, seawater cooling, wastewater treatment, and sanitary water treatment. The services provided by the Group at Jubail are:

- seawater cooling;
- SWRO;
- storage and distribution of potable water;
- collection and treatment of industrial wastewater; and
- collection and treatment of sanitary water treatment.

The table below sets out the details of all the plants and facilities of the Group that are located in Jubail as at the date of this Prospectus:

Table (4.16): Details of all the plants and facilities of the Group that are located in Jubail

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-mental Permit
1. Marafiq					
Potable Water	JW AP Line	300,000 m³/day	2010G	Desalinated and Purified Water Distribution and Retail No. (02/2105 ت.م)	EPO M17 – 292.1
	NWPS Stage -1	101,088 m³/day	1980G		
	NWPS Stage -2	461,328 m³/day	1980G		
	NWPS Stage -3		2007G		
	RO4	100,000 m³/day	1980G		
	Al-fatah	75,000 m³/day	-		
	EPS	461,328 m³/day	1980G		
	RO4	161,750 m³/day	1980G		
	VC1-1		1980G		
Water Storage	DIST-B	124,236 m³/day	1982G	Strategic Water Storage No. (03/2105 خ.إ)	EPO M17 – 292.1
	DIST-D	124,236 m³/day	1982G		
	EPS	562,024 m³/day	1981G		
	NWPS	1,534,138 m³/day	1981G		
	CAMP 1-15	22,552 m³/day	1982G		
	B1-PS	8,626 m³/day	1981G		
	E-BLOCK	9,694 m³/day	1980G		
	J-BLOCK	9,694 m³/day	1980G		
	WTP-2PS	3,001 m³/day	1978G		
	WTP-3PS	3,222 m³/day	1978G		
	JALMUDHA	55,000 m³/day	-		
Seawater Reverse Osmosis	SWRO-4	112,500 m³/day	2015G	Desalinated Water Production No. (04/2105 إ.م.1)	EPO M17 - 669

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-mental Permit
Water Treatment	Stage - 5	72,000 m³/day	2013G	Sewage Water Treatment No. (02/2105 م.ص.1)	EPO M17 - 500
	Stage - 6	120,000 m³/day	Under Pre-commissioning	N/A	EPO M17 - 818
	PS#P4 (703) (from PS#P4 to TP#9)	135,771 m³/day	1981G	Sewage Water Collection and Transportation No. (02/2105 ت.ص.1)	EPO M17 – 500 EPO M17 - 818
	PS#P3 (702) (from PS#P3 to PS#P4)	135,771 m³/day	1983G		
	PS#P1(701) (from PS#P1 to PS#P3)	109,975 m³/day	1982G		
	PS#B2 (559) (from PS#B2 to PS#B1)	33,943 m³/day	1982G		
	PS#B1(581) (from PS#B1 to PS#P1)	66,528 m³/day	1982G		
	PS#D1(608) (from PS#D1 to PS#D2)	21,723 m³/day	1985G		
	PS#D2 (616) (from PS#D2 to PS#P1)	48,878 m³/day	1985G		
	NPS#56 (119) (from PS#56 to PS#P4)	195,511 m³/day	2014G		
	EPS#56 (119) (from PS#56 to PS#P4)	66,528 m³/day	1986G		
Industrial Wastewater Treatment	Stage 2	42,700 m³/day	1989G	N/A	EPO M17-504
	Stage 3	55,000 m³/day	2013G		EOP M17 - 461
	Stage-4	125,000 m³/day	Under construction		EPC application submitted
	PS#18 (118) (from PS#18 to TP8)	109,975 m³/day	1980G		EPO M17-504 EOP M17 - 461
	PS#20 (116) (from PS#20 to PS#18)	66,528 m³/day	1980G		
	PS#1 (113) (from PS#1 to TP#8)	195,511 m³/day	1980G		
	PS# 22 (247) (from PS#22 to TP#8)	86,894 m³/day	1984G		
	PS#53 (241) (from PS#53 to PS#22)	33,943 m³/day	1985G		
	PS#1 (113) (PS#1 to PS#2)	195,511 m³/day	1985G		
	PS#3 (107) (from PS#3 to PS#5)	86,894 m³/day	1985G		
Seawater Cooling	Seawater Cooling-Plant 1	565,200 m³/hr	1983G / 1999G	N/A	EPO M17 – 286.2
	Seawater Cooling-Plant 2	680,400 m³/hr	2001G / 2003G		
	Seawater Cooling-J2 Pump Station	200,000 m³/hr	2012G		
	Seawater Cooling-J2 Booster Pump Station	80,000 m³/hr	(Under commissioning/ not yet transferred to Marafiq)		
2. JWAP					
Co-generation	Integrated Water and Power Plant (IWPP)	2,743.8 MW	2009G	Co-generation No. (070507 - ر)	EPO M17 - 288.2
		800,000 m³/day			

The table below sets out the contribution to Jubail's total revenue and total volume for the years ended 31 December 2019G, 2020G, 2021G, and the period ended 31 March 2022G:

Table (4.17): Revenues from Jubail

Revenues	For the year ended 31 December			For the period ended 31 March
	2019G	2020G	2021G	2022G
	(MSAR ')			
Seawater cooling	377	382	391	81
Potable water (SWRO, storage and distribution)	806	839	831	193
Industrial wastewater (collection and treatment)	143	147	148	37
Sanitary wastewater (collection and treatment)	102	108	107	21
Total	**1,428**	**1,476**	**1,477**	**332**

Source: The Company

Table (4.18): Volume breakdown Jubail

Volume in million m³	For the year ended 31 December			For the period ended 31 March
	2019G	2020G	2021G	2022G
Seawater cooling	5592	6072	6183	1,284
Potable water (SWRO, storage and distribution)	119	127	125	29
Industrial wastewater (collection and treatment)	43	44.2	44.4	11,163
Sanitary wastewater (collection and treatment)	42.6	47.8	45.8	11,584
Total	**5,796.6**	**6,291.0**	**6,398.2**	**1,479.12**

Source: The Company

The Company's operations in Jubail do not include process water storage and distribution, which is by design, as the distribution network in Jubail was not set up for separate process water operations.

Seawater Cooling

The provision of seawater cooling in Jubail is a vital utility service which supplies seawater for process cooling to the primary industries of the Jubail Industrial City. The seawater cooling facility consists of two adjacently located pumping stations near the coast and a distribution canal connected to the customers through underground pipes. Seawater pumped into the distribution canal flows by gravity to the customers and the return water flows by gravity back to the sea. Seawater drawn from the Arabian Gulf through dredged intake channels passes through coarse trash screens and fine trash screens at the pump stations. It is then chlorinated before it is pumped into the distribution canal.

The two pumping stations in Jubail have 14 pumps each and each pumping station has an installed capacity of 1.25 million m³/hour. There is a chlorination plant attached to the two pumping stations which generates sodium hypochlorite, which is used for disinfecting the seawater pumped into the canal. The design capacity for the chlorination plant is 64,100 kg/day production. Seawater from the pumping stations is conveyed to the customers through the canal system, which is about 12 km and stretches east to west and north to south within the industrial city. The canals are generally trapezoidal in cross section and divided into three compartments by vertical concrete walls. The north and east compartments are only for supply and the south and west compartments are only for return flow. The middle one is normally used as an additional supply compartment but can be used for return flow if required. The pumping stations and distribution system are provided with cathodic protection to minimize corrosion. The onshore canal has four sections (Canal 1, 2, 3S, and 3N) interconnected by inverted siphons. Seawater is supplied to the customers and returned to the canals through underground concrete/FRP lateral pipes emanating from dedicated off-take/return structures located along the vertical dividing walls of the canal. Sluice gates installed at these structures provide the flexibility to connect the lateral pipes to either of the adjacent compartments.

The return water is discharged into the harbor through another set of inverted siphons, onshore discharge channels, the outfall, and a dredged discharge channel. The seawater intake and discharge are separated by the causeway to the industrial port which serves as a barrier between the two and eliminates the possibility of recirculation. The pumping stations and distribution facilities are connected to the central control room through the distributed control system (DCS) and supervisory control and data acquisition system (SCADA).

The power supply for the pumping stations is provided by the SEC through two sets of 115 kV feeder lines, each capable of taking the full load. The seawater cooling facility is intended to be extended to the new industrial city Jubail II by constructing a pumping station at the west end of Canal 2 and through a network of pressurized pipes. The extension project is being handled by the Royal Commission for Jubail and Yanbu and consists of a pump house, a transmission, and a distribution network.

The total installed capacity of the Jubail-1 pump stations is 1,245,600 m^3/hr (28 pumps) and the installed capacity of the Jubail-2 booster pump station at the end of Canal-2 is 200,000 m^3/hr (5 pumps). The seawater system in Jubail-1 (including Section P&Q) operates under gravity flow, from and to the seawater canals. The seawater supply system for Jubail 2 is a pressurized system and is connected to Jubail-2 booster pump station located at the end of Canal-2 through pipelines. The return water from Jubail-2 flows under gravity to Canal-2.

The pump stations, canal, and distribution network are capable to meet customer demand and there is no identified gap in system capability to meet demand in the foreseeable future (until 2026G as per planning). Capital expenditure projects for rehabilitation and up gradation of SWC equipment/systems are taken up for smooth, efficient, and reliable operation of the plant, which are under various stages of capital expenditure implementation and processing cycle. There were major concerns on the operation of Jubail-2 pump station, which had been designed for flows of up to 200,000 m^3/day. Due to current low demand, there were difficulties encountered when operating the system. Through the implementation of technical recommendations for both the pump station and the network, these operational problems have been resolved.

The total installed capacity is 346 m^3/second, (1,245,600 m^3/hour). Average operating capacity (considering 4 pumps in maintenance – two from each pump station) is estimated at 295.2 m^3/second, with 15 large pumps and 9 small pumps in operation, which is equivalent to 1,062,720 m^3/hour.

The total installed capacity of both pump stations for Jubail I is 1,245,600 m^3/hr. Each pump station has 14 pumps. 24 pumps were supplied by Ebara Co., Japan, and the remaining 4 pumps by Patterson, Pump Company, USA, three in Jubail II were also supplied by Ebara Co., Japan, and two pumps were supplied by Torishima, Japan. Installed capacities of Jubail I pump stations as at the date of this Prospectus are given in the following table:

Table (4.19): Total Installed Capacity for Seawater Cooling in Jubail I as at the date of this Prospectus

Name of Plant	Installed Capacity (Tm³/hr)	Available Installed Capacity (000's)						COD	Remarks
		2003G	2006G	2009G	2012G	2019G	2022G		
SWC-1 Stage 1	370.8	371	371	371	371	371	371	1983G	10 pumps x 37,080 m³/hr.
SWC-1 Stage 2	194.4	194	194	194	194	194	194	1999G	4 pumps x 48,600 m³/hr.
SWC-2	680.4	680	680	680	680	680	680	2001G-2003G	14 pumps x 48,600 m³/hr.
Total Installed Capacity	**1,245.6**								

Source: The Company

Installed capacities of Jubail-2 pump station as at the date of this Prospectus are given in the following table:

Table (4.20): Total Installed Capacity for Seawater Cooling in Jubail II as at the date of this Prospectus

Name of Plant	Installed Capacity (Tm³/hr)	Available Installed Capacity (000's)						COD	Remarks
		2003G	2006G	2009G	2012G	2019G	2022G		
Jubail 2 Pump Station Phase 1	150	-	-	150	150	150	150	2012G	3 pumps x 50,000 m³/hr.
Jubail 2 Pump Station Phase 2	50	-	-	-	-	50	50	2017G	2 pumps x 25,000 m³/hr.
Total Installed Capacity	**200**								

Source: The Company

The existing network consists of the following:

Table (4.21): Overview of existing network in Jubail

Service	Equipment / Technology	Installed Capacity
Seawater Pumping	28 pumps at two pumping stations (14 pumps each)	1.25 million m³ / hour
Chlorination Plant	Sodium hypochlorite production	64,100 kg of sodium hypochlorite
Seawater Distribution Jubail 1	Canal system	Canal length of 12 km Canal capacity 980,000 m³ / hour
Seawater Distribution Jubail 2	Pipeline network	Pipeline length 254 km (main pipes and laterals) SWC allocation for Jubail-II is 200,000 m³ / hour

Source: The Company

Potable Water

The Company sources and distributes potable water to Jubail Industrial City and the surrounding areas. This is done by sourcing potable water through internal desalination plants and the importation of potable water from JWAP and the Al-Fatah plants. The Company purchases 300,000 m³/day capacity from Tawreed and purchases an additional 75,000 m³/day from the Al-Fatah company seawater reverse osmosis (SWRO) plant. The Company owns one SWRO plant in Jubail with an installed capacity of 100,000 m³/day. The potable water is routed through an extensive 1,724 km long pipe network. To pump potable water through the pipe network, the Company uses 32 pump stations across its network to maintain a steady flow of potable water. The current sources of potable water (available quantity) are:

a- the Company's SWRO plants - 100,000 m³/day

b- purchased from Tawreed – 300,000 m³/day

c- purchased from Al-Fatah – 75,000 m³/dayThe potable water system consists of networks, production, and import facilities. It supplies the potable water for the industries in Jubail 1 and Jubail 2 for the process-water need. This is a vital utility for the continuous operation of all primary and secondary industries. The potable water network has main transmission lines and several distribution lines with manned and unmanned pumping stations. It consists bulk and local tanks with a total capacity of more than 2.5 million m³.

There are two main bulk storage tanks in the distribution system located in the North West Pumping Station (NWPS) and East Pumping Station (EPS). The NWPS has 16 tanks with a nominal capacity of around 95,500 m³ each and has a total storage capacity of 1,534,138 m³. The EPS has 10 different sizes of storage tanks, with a total storage capacity of 562,024 m³. In addition, local storage tanks are also installed at strategic points within the Jubail Industrial City. The water supply is distributed from the two main stations, the NWPS and the EPS, to local storage tanks in each pumping station and pumped to serve their respective areas. The water can also be stored to meet any future demand and regulate the flow according to the needs of customers.

The table below gives a breakdown of the storage and distribution capacities of the pumping stations:

Table (4.22): Storage and distribution capacities in Jubail

Storage & Distribution Capacity	m^3/day
Storage: DIST-B	124,236
Storage: DIST-D	124,236
Storage: CAMP 1-15	22,552
Storage: B1-PS	8,626
Storage: E-BLOCK	9,694
Storage: J-BLOCK	9,694
Storage: WTP-2PS	3,001
Storage: WTP-3PS	3,222
Storage: JALMUDHA	55,000
Storage: NWPS	1,534,138
Storage: EPS	562,024
Industrial Distribution (different sizes at various locations)	0 (supplied directly by NWPS and EPS)

Source: The Company

The potable water produced and purchased is stored in bulk storage tanks and pumped to the transmission network through five transmission pump stations.

Industrial Wastewater and Sanitary Wastewater (IWW & SWW)

The Jubail wastewater service line consists of two major categories:

a- Industrial Wastewater Treatment (IWW)
b- Sanitary Wastewater Treatment (SWW)

The capacities of IWW in Jubail are as follows:

a- 23,000 m^3/day for IWTP8 Stage 1;
b- 41,700 m^3/day for IWTP8 Stage 2;
c- 55,000 m^3/day for IWTP8 Stage 3; and
d- 125,000 m^3/day for IWTP Stage 4, which is under construction.

The capacities of SWW in Jubail are as follows:

a- 15,000 m^3/day for SWPT Stage 1;
b- 72,000 m^3/day for SWPT Stage 2 & 3;
c- 72,000 m^3/day for SWTP9 Stage 5; and
d- 120,000 m^3/day for SWTP9 Stage 6, which is under construction.

The table below gives a breakdown of the equipment and capacity of each of the wastewater treatment plants and wastewater network:

Table (4.23): Equipment and capacity of wastewater treatment in Jubail in operation as at the date of this Prospectus

Service	Equipment / Technology	Capacity
Industrial Wastewater	3 wastewater treatment plants	23,000 + 41,700 + 55,000 = 119,700 m³/day
Sanitary Wastewater	4 wastewater treatment plants	15,000 + 72,000 + 72,000 = 159,000 m³/day
Wastewater Network	296 lift stations, 76 pump stations	114 km pipe network industrial, 1,107 km pipe network sanitary

Source: The Company

The IWW treatment plant is designed to treat incoming industrial wastewater from industries in the Jubail Industrial City. The flow from the industries is managed based on the characteristic of the waste and is treated to meet the Royal Commission for Jubail and Yanbu's environmental guidelines for the disposal of industrial wastewater. The current capacity of industrial wastewater treatment plant (IWTP-8) is 138,400 m³/day (119,700 m³/day capacity with an additional 18,700 m³/day that is temporarily available to meet peak demand) As per the Group's operations plan, the Group is in the process of constructing a new IWW treatment plant with a total capacity of 125,000 m³/day, which is currently targeted to be commissioned in the last quarter of 2024G. The proposed capacity is sufficient to meet Royal Commission Environmental Regulations (RCER) compliance as well as demand from existing and committed customers.

The SWW treatment plant in Jubail is designed to treat incoming sanitary wastewater from industries, the community area, and Jubail town. The plant is located northwest of Jubail industrial city and is designed to meet the Royal Commission for Jubail and Yanbu's environmental guidelines for the treatment of sanitary wastewater. Four storage tanks, each with a capacity of 24,000 m³, have been provided in the vicinity of the plant for storing the reclaimed water. The storage tanks are connected to the effluent water pumping station from where the water is delivered to the community for irrigation and certain other utilization. Wastewater from Jubail Industrial City is collected through a pipeline network into 296 lift stations and 54 pump stations located in the community and surrounding industrial areas. The industrial wastewater system consists of a 114 km long pipe network serving the industrial customers, while sanitary wastewater is served through an extensive 1,107 km long pipe network. Some of the treated water from the industrial and sanitary wastewater treatment plants is then used for irrigation and certain other purposes. The guidelines for wastewater and irrigation water are based on the guidelines of the Royal Commission for Jubail and Yanbu.

The current capacity of the sanitary wastewater treatment plant (SWTP-9) is 159,000 m³/day. The Group has approved an expansion project for wastewater treatment, which is currently under construction stage in two stages with a capacity of 120,000 m³/day in the fourth quarter of 2022G. The Group has also committed to comply with the environmental regulations for Jubail and Yanbu. Upon completion of the approved expansion projects, the existing stages 1, 2, and 3 will be retired. Modifications are required for the sanitary wastewater network as per hydraulic study model prepared by Royal Commission for Jubail and Yanbu to meet the demand as per the master plan issued by the Royal Commission for Jubail and Yanbu.

The Group has adequate fuel storage facilities in Jubail to ensure reliability and security of fuel supply.

JWAP cogeneration plant

JWAP's cogeneration plant has a capacity of 2,743.6 MW of power and 800,000 m³/day of water. It is a dual-purpose facility, with the power plant based on combined cycle generation technology comprising four power blocks consisting of 3 GTGs and 1 STG each. The water facility comprises 27 desalination units and is based on multi-effect distillation (MED) technology. The plant uses sales gas as the primary fuel and distillate No. 2 as back-up fuel. Tawreed has entered into a power and water purchase agreement with JWAP to off-take all of the power and water capacity and output. This power and water purchase agreement between Tawreed and JWAP, which is dated January 2007G, will expire on the 20th anniversary of the commencement of the commercial operation of the project (the commercial operation commenced in 2010G). Tawreed sells the entire power output to Saudi Power Procurement Company (Principal Buyer), 62.5% of the water output to Saline Water Conversion Company ("**SWCC**"), and 37.5% to the Company. JWAP is responsible for the operations and maintenance of the plant. The agreement between Tawreed, the SEC, and SWCC is dated 06 April 2009G, and the agreement expires when the power and water purchase agreement expires.

Table (4.24): Equipment and capacity of at the JWAP cogeneration plant as at the date of this Prospectus

Service	Equipment / Technology	Capacity
Power capacity	4 power blocks consisting of 3 GTGs and 1 STG	2,743.8 MW
Water facility	27 desalination units	800,000 m³/day

Source: The Company

The plant will be transferred to Tawreed at the end of 20 years of operation, which is expected to be on 27/06/1452H (corresponding to 25 October 2030G). The debt financing for the project comes from a syndicate of international, Korean, and Saudi Arabian lenders (referred as international facility, KEIC facility, and local facility). All payments to JWAP by Tawreed (both invoice payments and termination payments) are guaranteed by a credit support agreement with the Ministry of Finance of the Kingdom (for further details on the PWPA between JWAP and Tawreed, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus).

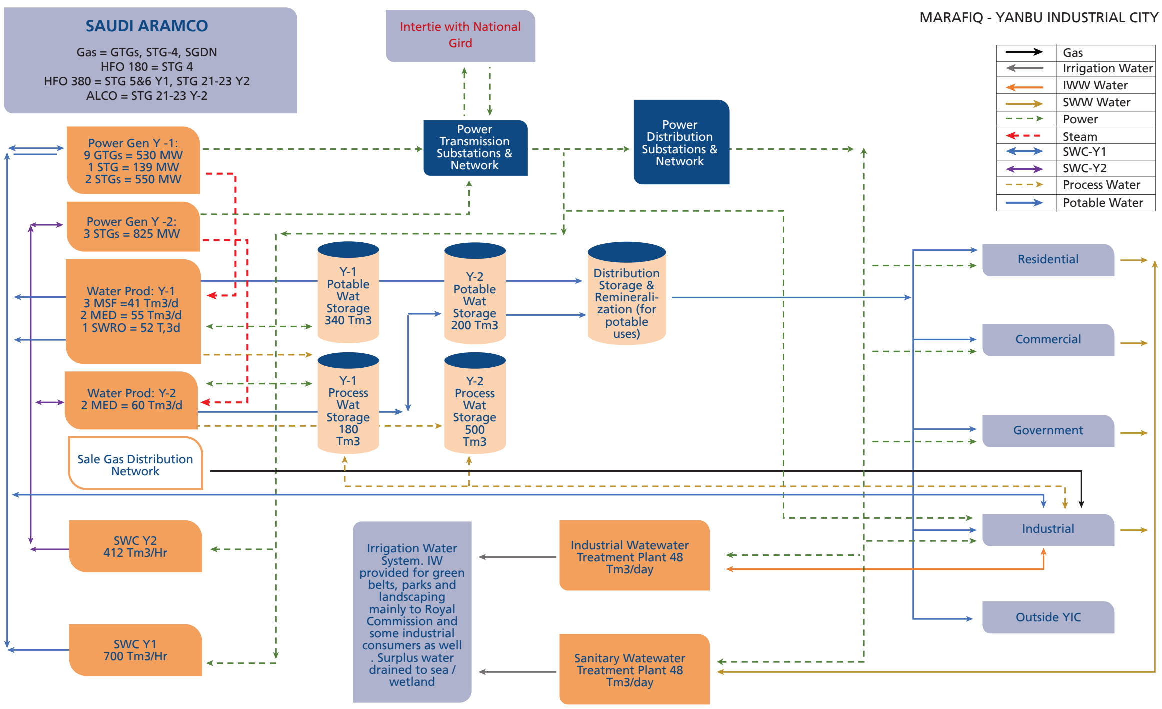
4.8.3 The Group's Plants and Facilities in Yanbu

Description of Yanbu

Yanbu has a major port located on the Red Sea (King Fahad Industrial Port), which is the largest oil shipping complex on the Red Sea and is considered an industrial city in the Al Madinah province of the Kingdom. It lies approximately 300 km north-west of Jeddah. Yanbu is an important petroleum shipping terminal and is home to three oil refineries, a plastics facility, and several other petrochemical plants. It is the Kingdom's second port (after Jeddah) and serves as the main port for the holy city of Medina, 160 km to the east. Yanbu is the largest port for the export of crude oil on the Red Sea coast. Yanbu also acts as the substitute port for crude oil export by the Kingdom. Yanbu Port includes facilities that enable it to export more than three million barrels/day of crude oil and its location near the Suez Canal makes it an excellent port for access to the European markets and the developing markets in Africa and the Middle East. Yanbu hosts the third largest refining complex in the world and the refineries in Yanbu have a refining capacity of more than one million barrels/day.

Yanbu (not just the industrial city) overall has a population of 233,236 people according to the Population and Housing Census 1431H (corresponding to 2010G), 68% of which are Saudi Arabian citizens. A large number of workers and employees live outside the city and commute to Yanbu every day, making the daytime population considerably larger than the resident population.

Figure (4.5): Overview of services provided in Yanbu



The Company provides power and water utility services in Yanbu. The services provided at Yanbu consist of:

- power generation, transmission, and distribution;
- seawater cooling;
- SWRO;
- storage and distribution of potable and process water;
- collection and treatment of sanitary wastewater treatment;
- collection and treatment of industrial wastewater treatment; and
- sales gas distribution.

The table below sets out the details of all the plants and facilities of the Group that are located in Yanbu as at the date of this Prospectus:

Table (4.25): Details of all the plants and facilities of the Group that are located in Yanbu

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-men-tal Permit
1. Marafiq					
Gas Distribution	Local network for distribution of dry gas	55,000,000 sq. ft	2011G	Construction and ownership of Gas distribution network no. (8)	N/A
Potable Water	PSDP5	69,600 m³/day	1983G	Desalinated and Purified Water Distribution and Retail no. (02/2105 ت.م)	EPO M17 - 292.1
	PS1	84,000 m³/day	1983G		
	PS2	69,600 m³/day	1983G		
	PS2	84,000 m³/day	1983G		
Water Storage	Yanbu-1 PW Tanks at PSDP-5	180,000 m³/day	1985G	Strategic Water Storage (03/2105 خ.إ)	EPO M17-292.1
	Yanbu-1 PW Tanks at PS-1	80,000 m³/day	1985G		
	Yanbu-1 PW Tanks at PS-2	60,000 m³/day	1985G		
	Yanbu-1 PW Tanks at PSDP-2	20,000 m³/day	1985G		
	PW Tanks Y2 PS Yanbu-2	205,760 m³/day	2014G		
Process Water Storage	Yanbu-1	40,000 m³/day	1985G	N/A	EPO M17-292.1
	PRW Tanks	40,000 m³/day	1985G		
	at PSDP-6	40,000 m³/day	1985G		
	Yanbu-1	60,000 m³/day	2011G		
	PRW Tanks	102,880 m³/day	2014G		
	at PSDP-6	102,880 m³/day	2014G		
	Yanbu-1	102,880 m³/day	2014G		
	PRW Tanks	102,880 m³/day	2014G		
Seawater Reverse Osmosis	SWRO	52,085 m³/day	2006G	Desalinated Water Production (04/2105 إ.م.1)	EPO 1-04-1187
Water Treatment	Wastewater treatment 2	47,500 m³/day	2015G	Sewage Water Treatment no. (02/2105 م.ص.1)	EPO 2-07-1185
	Sewage network (from SW33 to SW17)	4,338 m³/day	1982G	Sewage Water Collection and Transportation no. (02/2105 ت.ص.1)	EPO 2-07-1185 EPO 1-147-0214
	Sewage network (from SW2 to SW3)	2,466 m³/day	1982G		
	Sewage network (from SW5 to SW6)	4,932 m³/day	1982G		
	Sewage network (from SW58 to SW9)	20,995 m³/day	1982G		
	Sewage network (from SW14 to SW16)	6,930 m³/day	1982G		
	Sewage network (from SW15A to SW16)	75,946 m³/day	1982G		
	Sewage network (from SW22 to SW16)	3,690 m³/day	1982G		
	Sewage network (from SW37 to SW16)	14,256 m³/day	1982G		
	Sewage network (from SW49 to SW50)	4,666 m³/day	1982G		
	Sewage network (from SW54 to SW50)	4,925 m³/day	1982G		
	Sewage network (from LS16A to SWTP)	12,971 m³/day	1982G		
	Sewage network (from LS-50 to SWTP)	13,121 m³/day	1982G		
	Sewage network (from LS-3 to SWTP)	1,361 m³/day	1982G		
	Sewage network (from LS-06 to SWTP)	1,361 m³/day	1982G		
	Sewage network (from LS-09 to SWTP)	1,361 m³/day	1982G		
	Sewage network (from SWTP to LS-17)	3,021 m³/day	1982G		

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-men-tal Permit
Industrial Wastewater Treatment	IWTP-2	48,000 m³/day	2014G	N/A	EPO 1-147-0214 R1
	Industrial wastewater network (from IW-09 to IW-12)	7,974 m³/day	1982G		
	Industrial wastewater network (from IW-06 to IW-12)	16,848 m³/day	1982G		
	Industrial wastewater network (from IW-03 to IW-12)	7,974 m³/day	1982G		
	Industrial wastewater network (from IW-16 to IW-11)	9,072 m³/day	1982G		
	Industrial wastewater network (from IW-10 to IW-11)	9,072 m³/day	1982G		
	Industrial wastewater network (from IW-14 to IW-11)	194.4 m³/day	1982G		
	Industrial wastewater network (IW-12)	3,400 m³/day	1982G		
	Industrial wastewater network (IW-12)	1,400 m³/day	1982G		
	Industrial wastewater network (from IW-12 to IWTP)	19,440 m³/day	1982G		
	Industrial wastewater network (from IW-11 to IWTP)	16,070 m³/day	1982G		
Seawater Cooling	Yanbu-1	700,000 m³/hr	1983G / 2013G	N/A	EPO 1-04-1187
	Yanbu-2	412,500 m³/hr	2014G		EPO 1-196-0315
Co-generation	GTG1	56.17 MW	1982G	Co-generation no. (080620 - ر)	EPO 1-04-1187
	GTG2	56.17 MW	1982G		
	GTG3	56.17 MW	1982G		
	GTG4	56.17 MW	1982G		
	GTG5	56.17 MW	1982G		
	GTG6	56.17 MW	1982G		
	GTG7	56.17 MW	1982G		
	GTG8	56.17 MW	1982G		
	GTG9	68.7 MW	1999G		
	STG4	138.8 MW	2007G		
	STG5	275 MW	2012G		
	STG6	275 MW	2012G		
	Desal 7	13,680 m³/day	1997G		
	Desal 8	13,680 m³/day	1997G		
	Desal 9	13,680 m³/day	1999G		
	Desal 10	27,600 m³/day	2013G		
	Desal 11	27,600 m³/day	2013G		
	Y2-STG1	275 MW	2014G		EPO 1-209-0317
	Y2-STG2	275 MW	2014G		
	Y2-STG3	275 MW	2014G		
	Y2-Desal 1	30,000 m³/day	2014G		
	Y2-Desal 2	30,000 m³/day	2014G		

In the three months ended 31 March 2022G, the Yanbu facilities (power, water, and sales gas) contributed [•]% of the Group's total revenues.

Power service represents a significant share of Yanbu's revenue generation mix. Product wise, the contribution to Yanbu's total revenue and volume for the years ended 31 December 2019G, 2020G, 2021G, and the period ended 31 March 2022G is set out below:

Table (4.26): Revenues from Yanbu

Revenues	For the year ended 31 December			For the three months ended 31 March
	2019G	2020G	2021G	2022G
	(MSAR)			
Power	1,523	1,479	1,549	357
Seawater cooling	142	136	130	25
Potable and Process Water (SWRO, storage and distribution)	269	246	243	60
Industrial wastewater (collection and treatment)	39	36	35	9
Sanitary wastewater (collection and treatment)	20	20	20	3
Sales gas	33	40	66	20
Total	**2,026**	**1,957**	**2,043**	**474**

Source: The Company

Table (4.27): Volume breakdown Yanbu

Volume (in million m³ except if otherwise indicated)	For the year ended 31 December			For the three months ended 31 March
	2019G	2020G	2021G	2022G
Power (in GWh)	8,306	7,834	8,408	1,891
Seawater Cooling	2,156	2,165	2,063	398
Potable and process water (SWRO, storage and distribution)	40.05	39.84	37.36	9
Industrial wastewater (collection and treatment)	11.755	10.972	10.639	3
Sanitary wastewater (collection and treatment)	7.725	8.334	7.787	2
Sales gas (in MMBTU)	5,375	6,287	10,400	3,188

Source: The Company

Power Generation

Power generation facilities in Yanbu Industrial Cities consist of power and water production plants in Yanbu I and Yanbu II, which produce power to meet the demand of industries and the local community. The Group has a total installed power generation capacity of 2,032 MW in Yanbu. The present power facilities at Yanbu I consist of 9 GTGs, out of which eight units have a capacity of 56.17 MW each, with a ninth unit with a capacity of 68.7 MW, aggregating a total capacity from GTG units of 518 MW. The Yanbu I power plant has an additional 3 STGs, consisting of one steam turbine unit with a capacity of 138.8 MW and two steam turbines with capacity of 275 MW each. The Yanbu II power plant has 3 STG units, with a generating capacity of 275 MW per unit.

In the GTGs fuel is burned in the combustion chamber of the gas turbine, producing hot gas which in turn drives the turbine and generator. The heat of fuel gases at the turbines exhaust is used to produce steam for thermal desalination in heat recovery steam generators.

In the STGs, fuel is burned in a subcritical boiler, producing superheated steam that drives a steam turbine and its generator. Steam is then condensed through seawater-cooled condensers and the condensate is sent back to the boiler for closed cycle steam production.

The below table sets out the details of the installed capacity of power generating equipment as at the date of this Prospectus:

Table (4.28): Details of power generation Yanbu as at the date of this Prospectus

Service	Equipment / Technology	Capacity
Generation	9 GTGs / 6 STGs	524.6 / 1,513.8 MW
Dispatch, Transmission and Distribution Network	10 HV GIS S/S 6 MV GIS S/S	2,500 MVA 2,500 MVA

Source: The Company

The following tables summarize the key parameters of the Yanbu I and Yanbu II power plants as at the date of this Prospectus:

Table (4.29): Key parameters of the Yanbu I and Yanbu II power plants as at the date of this Prospectus:

Service line	Utilization (2021 – actual %)
Utilization power	69.0%
Utilization water	72.2%
Utilization sea water cooling	48.7%
Utilization industrial waste water	97.6%
Utilization sanitary waste water	67.8%

Source: The Company

The Company's power generation capacity was significantly increased through the commissioning of STG 5 and 6 (Yanbu I) as well as Yanbu II-STG 21, Yanbu II-STG 22, and Yanbu II-STG 23. The increase in power generation is sufficient to meet the medium-term demand even after the shutdown of STG 1-3, which took place during the year 2016G (STG 1-3 did not have flue gas desulphurization systems and did not comply with RCER (Royal Commission Environmental Regulations) and were thus decommissioned). To maximize the asset utilization, the Company entered into a wheeling arrangement with National Grid in coordination with Principal Buyer and is exporting surplus power to support the power usage in its Jubail facilities.

Currently, GTGs have an allocation of 130MMSCFD of Sales Gas as primary fuel, is sufficient for the operations of all the GTGs. GTGs can also operate on light fuel oil (diesel) as back-up fuel. STG 4, 5, and 6 in Yanbu I use HFO 380 as primary fuel, and STG 5 and 6 use ALCO as back-up fuel. STG 21, 22, and 23 in Yanbu II can operate using HFO 380 as primary fuel and ALCO as back-up fuel. At present, STG 21, 22, and 23 are being operated using ALCO because HFO 380 is currently unavailable.

Net electricity generation from Yanbu I is approximately 10,400 GWh/year and net electricity generation from Yanbu II is approximately 6,500 GWh/year. The GTG units have five Heat Recovery Steam Generators ("**HRSG**") that produce 811 tons per hour (t/h) of process steam, which is supplied to the desalination plants and STG units, and also used for heating purposes for the heavy fuel oil tanks. Moreover, there are two 4.2 MW diesel generator units available to enable restoration of the power supply to the GTG units of power block 1 and 4 in case of a black out. The Group also has a hydrogen plant with two hydrogen generators which can each produce 424 Standard Cubic Feet Per Hour (SCFH) pure hydrogen sales gas (99% purity), which is used for cooling the generators. The STG units are capable of supplying some auxiliary steam for the desalination plants during an emergency.

Transmission and Distribution

All the power generated by the Group is distributed through its dispatch, transmission, and distribution network to its internal and external customers. The transmission system consists of 380 kV overhead lines, which connect the 380 kV switchyard in Yanbu I, 380 kV substation 10J, and the 380 kV switchyard in Yanbu II with the Saline Water Conversion Corporation. The Company's power system at 380 kV level operates as an interconnected system with an inter-tie connection to the National Grid. The distribution system in Yanbu Industrial City includes many substations geographically located at strategic locations to serve all its customers in the Yanbu industrial city.

Operation and control of the Yanbu power system is carried out by the Load Dispatch Center (also known as the Energy Management Centre), the main functions of which are to coordinate generation, transmission, and distribution of electricity, ensuring that electrical power is generated and transmitted according to least cost security constrained economic dispatch. The LDC undertakes all technical dispatch operations, including scheduling, near-real-time and real-time instructions to units on the system to produce sufficient energy to meet the must serve energy demand constraints and technical limits of the generation and T&D systems, as well as reserve and other security of supply constraints, all with the objective of minimizing marginal economic cost. Least cost economic dispatch is thus done using the merit order or ranked order of marginal unit production cost by unit until demand is served subject to the technical limits of the generation, transmission, and distribution systems.

The transmission and distribution (T&D) of electrical power is conducted through underground cables and transmission lines consisting of 440 km of 115 kV, 34.5 kV, and 13.8 kV cables. The Yanbu industrial city T&D network is also interconnected with a 380 kV National Grid. The existing power system supplies power to customers in the Yanbu industrial city through a network of 380kV, 115 kV, 34.5 kV, 13.8 kV, 220V, and 120V voltages.

The Group expects future load growths in the Light Industrial Park (LIP) expansion and Yanbu II areas in respect of substations and transmissions. Various projects related to substations and transmission are already in place in accordance with the development plan of the Royal Commission for Jubail and Yanbu.

Potable and process water

The Group's water production department in Yanbu - with an installed capacity of 208,240 m³/day- produces standard quality potable water mainly for residential customers, and high-quality process water for industries in Yanbu Industrial City. The water facility at the Yanbu-1 plant consists of three multi-stage flash (MSF) desalination units, one Reverse Osmosis (RO) desalination unit, and two multi-effect distillation (MED) units, whereas the water facility at the Yanbu-II plant consists of two additional MED units with a total capacity of 60,000 m³/day, which are fully capable of catering the medium-term potable and process water demand of Yanbu Industrial City. The surplus potable water available, if any, is exported to Medina Water Authority. The details of the installed capacity of the potable and process water production facilities as at the date of this Prospectus are presented below:

Table (4.30): Potable and process water overview for Yanbu

Service	Equipment / Technology	Installed Capacity
Potable and process water	Desalination	208,240 m³/day
Pumping stations	Variable and fixed speed pumps	455,232 m³/day

Source: The Company

Process water is primarily consumed by industrial customers. The water is pumped through a pipe network of 51 km from the storage tanks in the power and water desalination plants to the industrial users. Currently, the average consumption of process water is 60,000 m³/day. Meanwhile, potable water (used primarily by non-industrial customers) is pumped from the storage tanks in the power and water desalination plants through pumping stations to distribution tanks at two pumping stations. The total length of the potable water network is 812 km. As of last year, the average consumption of potable water was 55,000 m³/day. The potable water is analyzed in different locations to ensure its quality.

The process water (potable and processed) is stored in 23 storage tanks with a total capacity of 1,220,000 m³. The table below gives a breakdown of the storage and distribution capacities of the pumping stations:

Table (4.31): Storage & distribution capacity overview for Yanbu

Storage & Distribution Capacity	
Storage	1,220,000 m³
Industrial Distribution (different sizes at various locations)	4 pump stations with the capacity of 8,196 m³/hr
Non-industrial Distribution	1 pump station with the capacity of 2,520 m³/hr

Source: The Company

Water produced from Desal units, Brackish Water Reverse Osmosis (BWRO), and the Seawater Reverse Osmosis (RO) plant in Yanbu-1 is being utilized to produce potable water. However, based on the Techno-Commercial report SOGEX, units Desal 1-6 have been decommissioned and the demand is being met through Yanbu-2, which after its commercial operation supplies 60,000 m³/day of potable water.

Seawater Cooling

The total installed capacity of the Yanbu-I plant is 700,000 m³/hr. This capacity is the result of four half-size pumps with a capacity of 25,000 m³/hr each, six full-size pumps with a capacity of 50,000 m³/hr each, and five large pumps with a capacity of 60,000 m³/hr each. The production flows into the industrial pipe and the power and desalination pipe. Currently, the industrial pipe is pressurized by two pumps with a capacity of 25,000 m³/hr each, three pumps with a capacity of 50,000 m³/hr each, and three pumps with a capacity of 60,000 m³/hr each. On the other hand, the power and desalination pipes are pressurized by two pumps with a capacity of 25,000 m³/hr each, three pumps with a capacity of 50,000 m³/hr each, and two pumps with a capacity of 60,000 m³/hr each. The last large pump was commissioned in April 2013G, which increased the capacity up to 700,000 m³/hr, which is the ultimate capacity of the seawater pumps house. The installed capacities of the Yanbu-I plant as at the date of this Prospectus are given in the following table:

Table (4.32): Yanbu-I installed capacity for seawater cooling as at the date of this Prospectus

Name of Plant	Installed Capacity (Tm³/hr)	Available Installed Capacity						COD	Remarks
		2003G	2006G	2009G	2012G	2019G	2022G		
Yanbu-I	700	460	460	580	640	700	700	1983G, 2003G, 2007G, 2012G and 2013G	15 pumps
Total Installed Capacity	**700**	**460**	**460**	**580**	**640**	**700**	**700**		

Source: The Company

The seawater pumps in Yanbu-2 were commissioned in May 2014G and are ready to supply seawater to consumers. The production is provided through eight full-size pumps, which cover the desalination and STG's demand, as well as industrial demand. The installed capacity of the seawater pump house is 412,500 m³/hr, as an outcome of seven full-size pumps with a capacity of 55,000 m³/hr each and one half-size pump with a capacity of 27,500 m³/hr. The seawater pump house has an installed capacity of 412,500 m³/hr with a maximum availability of 275,000 m³/hr, which meets the peak demand of 177,000 m³/hr during the supply plan period. The pumping capacity is sufficient to meet the projected demand of Yanbu-2.

The pipes used in this underground network range in size from 3,700 mm to 600 mm diameter and are classified in primary, secondary, and tertiary loops for stability, uniform pressurizing, and redundancy in supply network, with the flexibility to supply seawater cooling from another pipeline in case of interruption in the main supply pipeline. The installed capacities of Yanbu-2 plant as at the date of this Prospectus are given in the following table:

Table (4.33): Yanbu-II installed capacity for seawater cooling as at the date of this Prospectus

	Installed Capacity (Tm³/hr)	Available Installed Capacity						COD	Remarks
		2003G	2006G	2009G	2012G	2019G	2022G		
Yanbu-2	412	-	-	-	-	412	412	2014G	8 pumps
Total Installed Capacity	**412**	**-**	**-**	**-**	**-**	**412**	**412**		

Source: The Company

Industrial Wastewater and Sanitary Wastewater (IWW & SWW)

This primarily comprises of the collection and treatment of industrial and sanitary wastewater from customers. The Group has 89 lift stations in Yanbu Industrial City, 61 of which are designed to collect SWW and the other 28 are designed to collect IWW. The total length of the SWW collection network is 680 km and that of the IWW collection network is 65 km.

The Group has two wastewater treatment plants in Yanbu Industrial City. Both plants are located in a wastewater treatment complex in the heavy industrial zone. The installed capacity of the IWW Treatment Plant at Yanbu is 48,000 m³/day and that of the SWW Treatment Plant is 47,000 m³/day.

Details of wastewater service equipment and capacity are as follows:

Table (4.34): Equipment and capacity for wastewater service in Yanbu

Service	Equipment / Technology	Capacity
IWW and SWW Collection	89 lift stations - 61 lift stations to collect sanitary wastewater and 28 lift stations designed to collect industrial wastewater. The main lift stations have three pumps and the other lift stations have two pumps.	Total length of the sanitary wastewater collection network is 680 km and industrial wastewater collection network is 65 km.
Industrial Wastewater Treatment Plant	Wet oil storage tanks, equalization basins, stage pH adjustment basins, coagulation basins with turbine blade mixers, aeration basins, and two sludge stabilization basins with aerobic digester and advance oxidation process	Installed capacity of the plant - 48,000 m³/day
Sanitary Wastewater Treatment Plant	Air blowers, surface aerators, sullair air-compressors, pressure vessels, parallel aerated grit chambers, equalization tanks, sedimentation tanks, sludge tanks for aerobic stabilization and various types of pumps and instrumentation and drying beds.	Installed capacity of the plant - 47,000 m³/day

Source: The Company

IWW treatment in Yanbu Industrial City is currently conducted through the IWTP-II plant. Prior to that, the treatment of wastewater was conducted through IWTP-I plant, which was first commissioned in 1984G with an installed capacity of 24,000 m³/day. The IWTP-I plant, which was commissioned by Royal Commission for Jubail and Yanbu during the early years of Yanbu Industrial City, was designed to comply with some basic wastewater effluent parameters such as Chemical Oxygen Demand (COD) and turbidity. The demand to treat IWW grew with the establishment of industries in the area. The increase in demand to treat wastewater, coupled with new environmental regulations, highlighted the need for a new treatment plant. In May 2014G, the IWTP-II plant was commissioned in the Yanbu-1 treatment plant complex with a capacity of 48,000 m³/day.

The IWW treatment plant is designed to treat pre-treated IWW from Yanbu Industrial City, and to provide reclaimed water for firefighting and non-potable utility water for industrial use. It is designed to remove contaminants from the wastewater to the extent that it can be re-used by industry and/or discharged into the Red Sea without causing a significant environmental impact to the coastal marine water quality and the sensitive coral reef eco-system. Plant influent flow from the IWW collection system discharges into an influent pump station, which is well sized to accommodate the ultimate industrial flows. The pumps discharge into an aerated open channel distribution flume, which transports the wastewater to the gravity oil water separators. The hydraulic design of the flume ensures equal distribution to each separator. The current capacity of the IWW treatment plant is 48,000 m³/day. The existing capacity can meet the demand throughout the supply plan period. The IWTP-3 plant, which is considered to be completed in the year 2024G, includes an extension of 15,000 m³/day for Yanbu.

The SWW treatment plant is designed to treat raw sanitary sewage generated by the community and industrial areas, and to provide safe irrigation water for landscape development. The treatment plant has four main treatment processes: primary, secondary, tertiary, and sludge removal. The capacity of the SWW treatment plant used to be 27,000 m³/day until a new expansion along with rehabilitation of the existing plant was made, which increased the capacity to 47,000 m³/day.

Sales Gas

The Company is licensed by the Ministry of Energy (MOE) for distribution of sales gas in the Light Industrial Park Expansion Area-1 (LIPE-1). The Company's sales gas distribution business was initiated at Yanbu in the year 2009G, and commercial operation commenced in September 2011G. The sales gas distribution system focuses on supplying sales gas directly from high-capacity pipelines to small users in the light industrial park, and thereby ensuring safe and reliable network operations of sales gas distribution. The sales gas network consists of a series of pipelines, an odorization system, valve stations, valve boxes, filter assemblies, pressure regulators, and metering skids. The initial allocation of sales gas for the Group is around 35 MMCFD of sales gas per day and this is distributed to the customers in LIPE-1 who requires sales gas for their operation. However, the Group has obtained a new sales gas allocation approval from MOE for 11 customers, which would increase the allocated quantity to 37 MMSCFD (about 13MMBTU per annum). Sales gas capacity is based on allocations from the Ministry of Energy of the Kingdom and the allocation has recently been increased to 55 MMSCFD to meet expected new demand.

For the sales gas distribution system, there is no gap between supply and demand during the supply plan period. Additionally, there is no need to apply any major upgrade to the sales gas distribution network except that certain work is required to install secondary pipelines and metering skids to serve new investors as and when they are mobilized. Sales gas distribution safety is an ongoing priority for the Group, and the Group is committed to the safety of its workers, customers, and the public. Part of that commitment requires ensuring that the Group's workers have the training required to do their jobs safely. This comprehensive commitment allows the Group to further develop its workforce expertise and to continually improve its ability to deliver sales gas to its customers safely and reliably.

Service Systems for Yanbu operation

The service systems form an integral part of the operation and are its backbone. They include the tank farm where fuel is stored, the potable and process water storage tanks, the pumping stations, the irrigation water service system, the caustic storage and handling system, the aeration system, the heating, ventilation and air conditioning systems, and the storage and distribution system.

Storage and Distribution Management System

The Group has adequate fuel storage facilities at Yanbu to ensure reliability and security of fuel supply.

The Company has fuel allocations from Saudi Aramco for different types of fuels. The details of these allocations are included in the following table:

Table (4.35): Storage and distribution overview for Yanbu

No.	Type of Fuel	Quantity	Source	Storage Capacity
1	Sales Gas	130 MMSCFD	Through pipeline from NGL Plant to the Power Plant in Yanbu 1	Not Applicable
2	LFO	As Required	Through pipeline from Yanbu Refinery to the Power Plant in Yanbu 1	4 x 6000 m³ Tanks, Total 24,000 m³
3	HFO 180	16 MBD	Through pipeline from Yanbu Refinery to the Power Plant in Yanbu 1	4 x 6000 m³ Tanks, Total 24,000 m³
4	HFO 380	17 MBD	Through pipeline from Samref to the Power Plant in Yanbu 1	2 x 50,000 m³ Tanks, Total 100,000 m³
5	ALCO	17 MBD	Through pipeline from YCOT to the Power Plant in Yanbu 1	* 1 x 8000 m³ Tank, Total 8000 m³. (Under discussions with Aramco)
6	HFO 380	32 MBD	Through pipeline from Yanbu Refinery to the Power Plant in Yanbu 2.	3 x 72,000 m³ Tanks, Total 216,000 m³
7	ALCO	32 MBD	Through pipeline from YCOT to the Power Plant in Yanbu 2.	2 x 29,000 m³ Tanks, Total 58,000 m³

Source: The Company

4.8.4 New Plants and Facilities located in other cities within the Kingdom

Jazan City for Primary and Downstream Industries (JCPDI)

In order to develop energy and manufacturing industries, JCPDI was launched in 2006G by the Kingdom. JCPDI is situated along the Red Sea, 60 km northwest of Jazan City and covers an area of r103 km2. The initial developers of JCPDI were the Bin Laden and MMC Malaysia companies. In accordance with a Royal Decree in 2013G, Saudi Aramco was directed to build the Jazan Refinery with complete funding and develop the JCPDI phase-I infrastructure. In July 2015G, by Royal Decree it was announced to assign the city to the Royal Commission to take over the tasks of developing JCPDI further.

Royal Decree No.75916 dated 23/12/1438H (corresponding to 14/09/2017G) assigned the Royal Commission for Jubail and Yanbu the responsibility of managing and providing services to Jazan Industrial City in a similar manner to the two industrial cities of Jubail and Yanbu. Based on its strategic location, the Company aims to be the provider of utility services in all jurisdiction areas of the Royal Commission in the Kingdom. Accordingly, the Company started negotiations with the Royal Commission to replicate its utilities services model in JCPDI and operate as the sole utilities services provider for the city.

In an agreement dated 23/02/1440H (corresponding to 01 November 2018G) between the Ministry of Energy, Ministry of Industry and Mineral Resources, WERA (previously known as ECRA), the Royal Commission, SEC and the Company, the responsibilities as utility service provider in JCPDI were assigned to the Company. As a result, the Royal Commission and the Company agreed to jointly provide utilities services in the newly developed area and jointly began negotiating the asset handover process with the concerned stakeholders.

In a board resolution dated 02 July 2020G, the board of directors of the Company directed the Company's Management to finalize and secure all related agreements in JCPDI (asset lease agreements with the Royal Commission, operations and maintenance agreements, a customer transfer agreement with the SEC and a power purchase agreement with Principal Buyer). The board of directors also delegated the Company's CEO to sign the necessary agreements. As a result, the Company has acquired service licenses from the regulator (power distribution and water desalination) and finalized the necessary agreements (power purchase agreement with Principal Buyer – Saudi Power Procurement Company - as well as an operations and maintenance agreement with National Grid), and accordingly the Company started its operation in power sales in the second quarter of 2021G.

Moreover, the Company has started negotiations with the Royal Commission on the amendment of the master lease agreement to include JCPDI for the intention to provide utilities services and/or ultimately the asset ownership.

The table below sets out the details of all the plants and facilities of the Group that are located in JCPDI as at the date of this Prospectus:

Table (4.36): JCPDI expected commissioning, technology, and capacity overview

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-mental Permit
1. Marafiq					
Potable Water	SWRO	60,000 m³/day	2022G (Under commissioning/ not yet transferred to Marafiq)	Desalinated Water Production (04/2105 1.إ.م)	N/A
Water Treatment	STP	25,700 m³/day	2022G (Under commissioning/ not yet transferred to Marafiq)	N/A	
Potable Water Storage	PW Tanks	265,000 m³/day	(Under commissioning/ not yet transferred to Marafiq)		

Source: The Company

Recently, it has been agreed between each of the Ministry of Energy (MoE), the Royal Commission for Jubail and Yanbu, the Water and Electricity Regulatory Authority (WERA), the Saudi Electricity Company (SEC), and the Company to transfer power services at JCPDI to the Company and take all necessary actions for smooth implementation thereof. As a result, the SEC transferred all of its power customers in JCPDI to the Company. In March 2021G, WERA issued a power distribution and retail supply license to the Company for its facilities in JCPDI. The Company entered into a bulk supply agreement with the Saudi Power Procurement company (the Principal Buyer) in JCPDI to purchase the generated power in bulk for onward sale and distribution to the customers in JCPDI. The Royal Commission and Saudi Aramco are also in the process of transferring the relevant water facilities to the Company as at the date of this Prospectus.

Thus, the development of JCPDI offers an opportunity for the Company to provide utility services in the city, as it is expected to help expand the Group's customer base and offer a foothold into the new industrial city. The Company's opportunities in JCPDI focus around power distribution, potable water production and distribution, seawater cooling systems for heavy industries, and industrial and sanitary wastewater collection and treatment.

Ras Al-Khair (RIC)

RIC is located approximately 60 km northwest of Jubail. The key objectives for the Company in RIC are to: (i) open up a new economic sector, thereby diversifying the Kingdom's economy and creating sustainable jobs and opportunities; (ii) make the Kingdom a hub for metals and minerals industry; and (iii) use the core mineral complexes in RIC as an incubator that would help maximize value creation through vertically and geographically integrated downstream industries.

RIC is expected to provide a strong strategic link and synergies to existing industries in Jubail. RIC, as a city for metal and mineral industries, and Jubail, as a city for major petrochemical industries, together are expected to form one of the most significant integrated industrial regions in the world.

The Council of Ministers Decision No. (355) dated 30/10/1430H (corresponding to 30/10/2009G) gives the Royal Commission for Jubail and Yanbu the responsibility of managing and providing services to RIC in a way similar to the Industrial Cities of Jubail and Yanbu. The decision requires the Royal Commission to develop a program to manage and operate RIC as per the Royal Commission's policy for Jubail and Yanbu.

The Company entered into two MOUs with the Royal Commission dated 07 February 2012G and 29 April 2019G, pursuant to which it was agreed that the Company will provide water and power services in RIC in accordance with the RC Master Lease. An amendment to the RC Master Lease was executed between the Company and the Royal Commission for the lease of land and assets in RC, effective from 07 February 2019G.

The Company has now formally applied to WERA for power distribution and retail supply licenses to so as to be the service provider in the area, guided by the approach agreed upon for the same in JCPDI. The Company is also in active interaction with Saudi Electricity, Saudi National Grid Company, and Saudi Power Purchase Company (Principal Buyer) for the sale of power to reach modalities for transfer of assets, customers, and operating model in the area. The Company's opportunities in RIC focus around the following:

a- providing utility operation and management services in RIC;

b- providing potable water production and supply services, with potable water demand expected to grow substantially by 27% during the planning cycle 2022G / 2023G and the water supply planned to be conducted through a swapping mechanism from the Jubail water supply agreement with SWCC to meet the RIC demand;

c- providing wastewater collection and treatment facilities with existing supply capable to meet the demand;

d- constructing a connecting pipeline for potable water between JCPDI and RIC for water in order to more reliably supply potable water in both cities; and

e- utilizing land for a future power generation and water production plant.

The table below sets out the details of all the plants and facilities of the Group that are located in RIC as at the date of this Prospectus:

Table (4.37): RIC expected commissioning, technology, and capacity overview

Activities	Plant/Facility	Capacity	Commercial Operation Date	License	Environ-mental Permit
1. Marafiq					
Wastewater Treatment	IWW	25,000 m³/day	(Under commissioning/ not yet transferred to Marafiq)	N/A	N/A
	SWW	8,333 m³/day	(Under commissioning/ not yet transferred to Marafiq)		
Seawater Cooling	SWC	60,000 m³/hr	(Under commissioning/ not yet transferred to Marafiq)		
Potable Water Pump Station	PW-PS	110,400 m³/ day	(Under commissioning/ not yet transferred to Marafiq)		
Potable Water Storage	PW Tanks	170,000 m³/ day	(Under commissioning/ not yet transferred to Marafiq)		

4.9 Regulatory Tariffs

Overview

COM No. 57 provides that tariffs for the services provided by the Company shall be based on the commercial cost of the services provided to all industrial users. Tariffs are set with respect to each business line (e.g., power, potable water, and gas) and customer segment (e.g., industrial, commercial, and residential). Residential tariffs are based on a multi-tiered tariffing system, whereby the per unit tariff which applies corresponds to so-called total usage slabs, such that the tariff increases incrementally as the total annual volume consumed increases above each slab threshold. The Company's original tariff structure was inherited from the Royal Commission for Jubail and Yanbu at the time of privatization in 2003G, with the exception of industrial and sanitary wastewater treatment, for which new tariffs were introduced in 2003G as part of this privatization plan.

Since 2003G, the Company had been able to keep tariffs unchanged because the revenue generated had always been sufficient to meet operational requirements. However, in 2009G the Company's board of directors, the regulator at the time, decided to allow a 10% increase on all water tariffs for non-domestic use, which was implemented in January 2010G. Since 15 February 2010G, pursuant to the Council of Ministers Decision No. 53 of 2010G, all of the services relating to power and water production (including setting of tariffs), are regulated by WERA (previously known as the Electricity and Cogeneration Regulatory Authority (ECRA)).

In 2011G, the Regulator for Water Services (RWS) was established to approve the tariffs in relation to the remaining water related activities of the Company that are not regulated by WERA (ECRA at the time), such as potable and process water, storage, transport and distribution of water, seawater cooling, industrial and wastewater, and irrigation water supplies.

Tariffs for water have been set by the RC and a new tariff, which was set on an economic regulatory rate of return modelled on best regulatory practice, was initially approved but is awaiting a decision on the jurisdiction of WERA or the RC over water tariffs. Thus, this tariff when implemented is estimated to cover costs plus an economic rate of return on the whole for the water services business lines for the medium term.

For power and transmission & distribution (T&D), tariffs are based on WERA tariffs estimated for the Saudi Electricity Company (SEC). It is estimated that these tariffs would be sufficient to remunerate accounting costs, but not full regulatory economic costs that cover economic rate of return and depreciation. In part this is due to excess capacity.

The tariff for sales gas was approved by the Ministry of Energy.

Electricity Tariffs for Non-Industrial Customers

The following table shows the power tariffs for residential customers in Yanbu (no change since 2018G):

Table (4.38): Power tariffs for residential customers in Yanbu (no change since 2018G)

<table>
<tr><th>Sr #</th><th>Service Line / Customer Category/ Monthly Consumption Slabs</th><th>UOM</th><th>2003G-2009G</th><th>2010G -2015G</th><th>2016G</th><th>New Rates 2018G</th></tr>
<tr><td>(1)</td><td>1 - 2,000</td><td>SAR /kWh</td><td>0.05</td><td rowspan="8">No Change</td><td>No Change</td><td rowspan="3">0.18</td></tr>
<tr><td>(2)</td><td>2,001 - 4,000</td><td>SAR /kWh</td><td>0.10</td><td>No Change</td></tr>
<tr><td>(3)</td><td>4,001 - 6,000</td><td>SAR /kWh</td><td>0.12</td><td>0.20</td></tr>
<tr><td>(4)</td><td>6,001 - 7,000</td><td>SAR /kWh</td><td>0.15</td><td rowspan="5">0.30</td><td rowspan="5">0.30</td></tr>
<tr><td>(5)</td><td>7,001 – 8,000</td><td>SAR /kWh</td><td>0.20</td></tr>
<tr><td>(6)</td><td>8,001 – 9,000</td><td>SAR /kWh</td><td>0.22</td></tr>
<tr><td>(7)</td><td>9,001 - 10,000</td><td>SAR /kWh</td><td>0.24</td></tr>
<tr><td>(8)</td><td>10,001 & Above</td><td>SAR /kWh</td><td>0.26</td></tr>
</table>

Source: The Company

The following table shows the power tariffs for commercial customers in Yanbu (no change since 2018G):

Table (4.39): Power tariffs for commercial customers in Yanbu (no change since 2018G)

<table>
<tr><th>Sr #</th><th>Service Line / Customer Category/ Monthly Consumption Slabs</th><th>UOM</th><th>2003G – 2009G</th><th>2010G – 2015G</th><th>2016G</th><th>New Rates 2018G</th></tr>
<tr><td>A2</td><td colspan="6">Commercial Customers</td></tr>
<tr><td>(1)</td><td>1 - 2,000</td><td>SAR /kWh</td><td>0.05</td><td rowspan="2">0.12</td><td rowspan="2">0.16</td><td rowspan="3">0.20</td></tr>
<tr><td>(2)</td><td>2,001 - 4,000</td><td>SAR /kWh</td><td>0.10</td></tr>
<tr><td>(3)</td><td>4,001 - 6,000</td><td>SAR /kWh</td><td>0.12</td><td rowspan="3">0.20</td><td rowspan="3">0.24</td></tr>
<tr><td>(4)</td><td>6,001 - 7,000</td><td>SAR /kWh</td><td>0.15</td><td rowspan="5">0.30</td></tr>
<tr><td>(5)</td><td>7,001 – 8,000</td><td>SAR /kWh</td><td>0.20</td></tr>
<tr><td>(6)</td><td>8,001 - 9,000</td><td>SAR /kWh</td><td>0.22</td><td rowspan="3">0.26</td><td rowspan="3">0.30</td></tr>
<tr><td>(7)</td><td>9,001 - 10,000</td><td>SAR /kWh</td><td>0.24</td></tr>
<tr><td>(8)</td><td>10,001 & Above</td><td>SAR /kWh</td><td>0.26</td></tr>
</table>

Source: The Company

The following table shows the power tariffs for governmental customers, schools, colleges and hospitals in Yanbu (no change since 2018G):

Table (4.40): Power tariffs for governmental customers, schools, colleges and hospitals in Yanbu (no change since 2018G)

<table>
<tr><th>Sr #</th><th>Service Line / Customer Category/ Monthly Consumption Slabs</th><th>UOM</th><th>2003G-2009G</th><th>2010G-2015G</th><th>2016G</th><th>2018G</th></tr>
<tr><td>A3</td><td colspan="6">Government Departments, Schools, Colleges & Hospitals</td></tr>
<tr><td>(1)</td><td>1 - 2,000</td><td>SAR /kWh</td><td>0.05</td><td rowspan="8">0.26</td><td rowspan="8">0.32</td><td rowspan="8">0.32</td></tr>
<tr><td>(2)</td><td>2,001 - 4,000</td><td>SAR /kWh</td><td>0.10</td></tr>
<tr><td>(3)</td><td>4,001 - 6,000</td><td>SAR /kWh</td><td>0.12</td></tr>
<tr><td>(4)</td><td>6,001 - 7,000</td><td>SAR /kWh</td><td>0.15</td></tr>
<tr><td>(5)</td><td>7,001 - 8,000</td><td>SAR /kWh</td><td>0.20</td></tr>
<tr><td>(6)</td><td>8,001 - 9,000</td><td>SAR /kWh</td><td>0.22</td></tr>
<tr><td>(7)</td><td>9,001 - 10,000</td><td>SAR /kWh</td><td>0.24</td></tr>
<tr><td>(8)</td><td>10,001 & Above</td><td>SAR /kWh</td><td>0.26</td></tr>
</table>

Source: The Company

The following table shows the power tariffs for agricultural customers, charitable societies, and mosques in Yanbu (no change since 2018G):

Table (4.41): Power tariffs for agricultural customers, charitable societies and mosques in Yanbu (no change since 2018G)

<table>
<tr><th>Sr #</th><th>Service Line / Customer Category/ Monthly Consumption Slabs</th><th>UOM</th><th>2003G-2009G</th><th>2010G-2015G</th><th>2016G</th><th>New Rates 2018G</th></tr>
<tr><td>A4</td><td colspan="6">Agricultural, Charitable Societies, & Mosques</td></tr>
<tr><td>(1)</td><td>1 - 2,000</td><td>SAR /kWh</td><td>0.05</td><td rowspan="6">No Change</td><td rowspan="2">0.10</td><td rowspan="4">0.16</td></tr>
<tr><td>(2)</td><td>2,001 - 4,000</td><td>SAR /kWh</td><td>0.10</td></tr>
<tr><td></td><td>4,001-5,000</td><td>SAR /kWh</td><td>0.10</td><td rowspan="3">0.12</td></tr>
<tr><td></td><td>5,000-6,000</td><td>SAR /kWh</td><td>0.12</td></tr>
<tr><td></td><td>6,001-8,000</td><td>SAR /kWh</td><td>0.12</td><td rowspan="2">0.20</td></tr>
<tr><td>(3)</td><td>8,001 & Above</td><td>SAR /kWh</td><td>0.12</td><td>0.16</td></tr>
</table>

Source: The Company

The following table shows the power tariffs for agricultural customers, charitable societies, and mosques in Yanbu (no change since 2018G):

Table (4.42): Power tariffs for agricultural customers, charitable societies and mosques in Yanbu (no change since 2018G)

Sr #	Service Line / Customer Category/ Monthly Consumption Slabs	UOM	2003G-2009G	2010G-2015G	2016G	New Rates 2018G
A5	Industrial Customers					
(1)	All Consumption	SAR /kWh	0.12	See Below	0.18	0.18

Source: The Company

The following table shows the power tariffs for season tariffs without time of use metering in Yanbu (no change since 2018G):

Table (4.43): Power tariffs for season tariffs without time of use metering in Yanbu (no change since 2018G)

Sr #	Service Line / Customer Category/ Monthly Consumption Slabs	UOM	2003G-2009G	2010G-2015G	2016G	New Rates 2018G
A6	(SEASONAL TARIFF WITHOUT T.O.U. METERING)					
a	During Off-Peak Season (Jan- Apr & Oct-Dec)					
(1)	Small Industries with contracted load up to 1,000KVA (All Consumption)		SAR /kWh	0.12	0.18	0.18
(2)	Large Industries with contracted load above 1,000KVA (All Consumption)		SAR /kWh	0.14	0.18	0.18
b	During Peak Season (May- Sep) for all Industries		SAR /kWh	0.15	0.18	0.18
A7	Private Health Projects, National Education Projects (Separated from Industrial Tariff Category)					0.18

Source: The Company

Tariffs for Seawater Cooling

The Company charges a rate based on the volume of seawater delivered to each customer in both Yanbu and Jubail. The seawater cooling tariff is SAR 63.13 /per cubic meter for both Jubail and Yanbu.

Tariffs for Potable Water

The Company charges a rate based on the volume of potable water delivered to each customer in both Yanbu and Jubail. The Jubail and Yanbu potable water tariffs are SAR 7.34 / m³ for non-residential customers and an average rate of SAR 2.23 / m³ for residential customers.

Tariffs for Sanitary and Industrial Wastewater and Irrigation Water

Tariffs for sanitary and industrial wastewater and irrigation water are levied on volumetric wastewater treated by the Company for each category of water received from various customers.

The industrial wastewater tariff is SAR 3.32 / m³ in Yanbu and SAR 3.32 / m³ in Jubail. The sanitary wastewater tariff for non-residential customers is SAR 2.89 / m³ in Yanbu and 2.89 / m³ in Jubail. SWW for residential consumption in Jubail and Yanbu charge at 100% of potable consumption quantitates charged at half of the applicable slab-based tariff for potable water.

The irrigation water tariffs are 0.67 / m³ for the Royal Commission and SAR 1.83 / m³ for non-residential customers in Yanbu, and 0.67 / m³ for the Royal Commission and SAR 1.83 / m³ for non-residential customers in Jubail.

The following table shows the tariff rates for residential and non-residential customers for potable water in Jubail and Yanbu:

Table (4.44): Tariffs for potable water – Jubail and Yanbu

<table>
<tr><th>A</th><th>Potable Water (Jubail & Yanbu)</th><th>UOM</th><th>2003G-2009G</th><th>2010G-2013G</th><th>March 2014G-2015G</th><th>2016G</th><th>2021G</th></tr>
<tr><td>A1</td><td colspan="7">Residential Customers</td></tr>
<tr><td>(1)</td><td>1-15</td><td>per m³</td><td>0.10</td><td rowspan="11">No Change</td><td rowspan="11">No Change</td><td>0.10</td><td>0.10</td></tr>
<tr><td>(2)</td><td>16-30</td><td>per m³</td><td>0.10</td><td>1.00</td><td>1.00</td></tr>
<tr><td>(3)</td><td>31-45</td><td>per m³</td><td>0.10</td><td>3.00</td><td>3.00</td></tr>
<tr><td>(4)</td><td>46-50</td><td>per m³</td><td>0.10</td><td rowspan="2">4.00</td><td rowspan="2">4.00</td></tr>
<tr><td>(5)</td><td>51-60</td><td>per m³</td><td>0.15</td></tr>
<tr><td>(6)</td><td>61-100</td><td>per m³</td><td>0.15</td><td rowspan="4">6.00</td><td rowspan="4">6.00</td></tr>
<tr><td>(7)</td><td>101-200</td><td>per m³</td><td>2.00</td></tr>
<tr><td>(8)</td><td>201-300</td><td>per m³</td><td>4.00</td></tr>
<tr><td>(9)</td><td>301 & Above</td><td>per m³</td><td>6.00</td></tr>
<tr><td>(10)</td><td>Truck Fill Supply</td><td>per m³</td><td>5.00</td><td>5.00</td><td>5.00</td></tr>
<tr><td>(11)</td><td>Active Construction Water Supply</td><td>per m³</td><td>5.00</td><td>5.00</td><td>5.00</td></tr>
<tr><td>A2</td><td colspan="7">Non- Residential Customers (Government and commercial)</td></tr>
<tr><td>(1)</td><td>1-15</td><td>per m³</td><td>0.10</td><td rowspan="9">6.60</td><td rowspan="9">7.34</td><td rowspan="9">7.34</td><td>0.10</td></tr>
<tr><td>(2)</td><td>16-30</td><td>per m³</td><td>0.10</td><td>1.00</td></tr>
<tr><td>(3)</td><td>41-45</td><td>per m³</td><td>0.10</td><td>3.00</td></tr>
<tr><td>(4)</td><td>46-50</td><td>per m³</td><td>0.10</td><td>4.00</td></tr>
<tr><td>(5)</td><td>51-60</td><td>per m³</td><td>0.15</td><td rowspan="5">6.00</td></tr>
<tr><td>(6)</td><td>61-100</td><td>per m³</td><td>0.15</td></tr>
<tr><td>(7)</td><td>101-200</td><td>per m³</td><td>2.00</td></tr>
<tr><td>(8)</td><td>201-300</td><td>per m³</td><td>4.00</td></tr>
<tr><td>(9)</td><td>301 & above</td><td>per m³</td><td>6.00</td></tr>
<tr><td>A3</td><td colspan="7">Non- Residential Customers (Industrial)</td></tr>
<tr><td>(1)</td><td>1-50</td><td>per m³</td><td>0.10</td><td rowspan="5">6.60</td><td rowspan="5">7.34</td><td rowspan="5">7.34</td><td rowspan="5">7.34</td></tr>
<tr><td>(2)</td><td>51-100</td><td>per m³</td><td>0.15</td></tr>
<tr><td>(3)</td><td>101-200</td><td>per m³</td><td>2.00</td></tr>
<tr><td>(4)</td><td>201-300</td><td>per m³</td><td>4.00</td></tr>
<tr><td>(5)</td><td>301 & Above</td><td>per m³</td><td>6.00</td></tr>
<tr><td>(6)</td><td>Truck Fill Supply</td><td>per m³</td><td>5.00</td><td>5.50</td><td>6.12</td><td>6.12</td><td>6.12</td></tr>
<tr><td>(7)</td><td>Active Construction Water Supply</td><td>per m³</td><td>5.00</td><td>5.50</td><td>6.12</td><td>6.12</td><td>6.12</td></tr>
<tr><td>A4</td><td>Special Tariff for export to Madina Water Authority</td><td>per m³</td><td>5.07</td><td>5.07</td><td>5.64</td><td>5.64</td><td>5.64</td></tr>
</table>

Source: The Company

The following table shows the tariff rates for industrial customers for process water in Yanbu:

Table (4.45): Tariffs for process water - Yanbu

	Process Water (Yanbu)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
	Industrial Customers						
(1)	1-50	per m³	0.10	6.60	7.34	7.34	7.34
(2)	51-100	per m³	0.15	6.60	7.34	7.34	7.34
(3)	101-200	per m³	2.00	6.60	7.34	7.34	7.34
(4)	201-300	per m³	4.00	6.60	7.34	7.34	7.34
(5)	301 & Above	per m³	6.00	6.60	7.34	7.34	7.34

Source: The Company

The following table shows the tariff rates for seawater cooling in Jubail and Yanbu:

Table (4.46): Tariffs for seawater cooling

Seawater Cooling (Jubail & Yanbu)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
All customers	per m³	51.62	56.78	63.13	63.13	63.13

Source: The Company

The following table shows the tariff rates for sanitary wastewater (SWW) for Jubail and Yanbu:

Table (4.47): Tariffs for sanitary wastewater

D	Sanitary Wastewater (SWW)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
D1-a	**SWW Jubail (Industrial Customers)**	per m³	3.25	3.58	2.89	2.89	2.89
D1-b	**SWW Jubail (Commercial & Government Customers)**	per m³	N.A.	3.58	2.89	2.89	2.89
D1-c	**SWW Jubail & Yanbu -Residential**						
	1-15	per m³	N.A.	N.A.	N.A.	0.05	0.05
	16-30	per m³	N.A.	N.A.	N.A.	0.50	0.50
	31-45	per m³	N.A.	N.A.	N.A.	1.50	1.50
	46-60	per m³	N.A.	N.A.	N.A.	2.00	2.00
	Above 60	per m³	N.A.	N.A.	N.A.	3.00	3.00
D2-a	**SWW Yanbu (Industrial Customers)**	per m³	4.88	5.37	2.89	2.89	2.89
D2-b	**SWW Yanbu (Commercial & Government Customers)**	per m³	N.A.	5.37	2.89	2.89	
	1-15	per m³	N.A.	5.37	2.89	2.89	0.05
	16-30	per m³	N.A.	5.37	2.89	2.89	0.50
	31-45	per m³	N.A.	5.37	2.89	2.89	1.50
	46-60	per m³	N.A.	5.37	2.89	2.89	2.00
	Above 60	per m³	N.A.	5.37	2.89	2.89	3.00
D3	**SWW Jubail Town (Received through Pipeline Network)**						

D	Sanitary Wastewater (SWW)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
(1)	Effective 01-01-2003G & up to the date of award of contract for SWTP expansion SAR 1.61/m³ (After SAR 1.94/m³)	per m³	1.61	1.94	1.99	1.99	1.99
D4	**SWW Jubail Town (Received through Tankers)**						
(1)	For Tanker Capacity up to 5 m³	per Tanker	10.00				
(2)	For Tanker Capacity above 5 & up to 10 m³	per Tanker	15.00				
(3)	For Tanker Capacity above 10 & up to 15 m³	per Tanker	20.00	No Change	No Change	No Change	No Change
(4)	For Tanker Capacity above 15 & up to 20 m³	per Tanker	30.00				
(5)	For Tanker Capacity above 20 m³	per Tanker	35.00				

Source: The Company

The following table shows the tariff rates for industrial wastewater in Jubail and Yanbu:

Table (4.48): Tariffs for industrial wastewater

	Industrial Wastewater (IWW)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
E1	IWW Jubail (Industrial Customers)	per m³	2.36	2.60	3.32	3.32	3.32
E2	IWW Yanbu (Industrial Customers)	per m³	3.57	3.93			

Source: The Company

The following table shows the tariff rates for irrigation/reclaimed water in Jubail and Yanbu:

Table (4.49): Tariffs for irrigation / reclaimed water

F	Irrigation/Reclaimed Water (Jubail & Yanbu)	UOM	2003G-2009G	2010G-2013G	March 2014G-2015G	2016G	2021G
F1	**Volumetric Charges (Non-Residential Customers)**						
(1)	For Consumption slab 1-300 m³	per m³	0.10	1.65	1.83	1.83	1.83
(2)	For Consumption slab above 300 m³	per m³	1.50				
F2	Special Tariff for Royal Commission J&Y	per m³	0.60	0.60	0.67	0.67	0.67

Source: The Company

Tariffs for Sales Gas Distribution – Yanbu

The tariff for sales gas distribution to industrial customers in Yanbu is SAR 6.275 per million metric British thermal units. The Company does not distribute sales gas to customers in Jubail.

The table below schedule tariff rates for key consumer categories in Jubail and Yanbu:

Table (4.50): Tariffs for Sales Gas - Yanbu

Sr #	Service Line / Customer Category/ Monthly Consumption Slabs	UOM	2003G-2009G	2010G-2013G	2014G	New Rates 2018G	Rates 2021G
A	**Sale Gas Distribution**						
A1	Industrial Consumers	per mmbtu	N/A	3.7525	4.5000	6.3750	6.3750

Source: The Company

Note: The tariff was revised to SAR 4.5/mmbtu effective from 01 January 2014G and to SAR 6.375/mmbtu effective from 20 December 2018G.

4.10 Research and development, investments, and initiatives

The Company signed a five-year collaborative research agreement with the Saline Water Conversion Corporation (SWCC), This bilateral agreement involves a long-term research and development project that capitalizes on extracting rare metals and minerals from desalination plants' concentrated brine. The company operates huge capacity desalination plants and possesses sufficient experience in extracting these metals and minerals from the brine produced at its Seawater Reverse Osmosis Plants.

Except as mentioned above, neither the Company nor any of its Subsidiaries have any policies regarding research and development of new products and production methods for the three financial years preceding the date of this Prospectus.

4.11 Overview of projects outside of regulated utility services

The Group has recently decided to diversify its business model to enhance operations and services beyond the traditional regulated utility service provider within allocated service areas (Royal Commission for Jubail and Yanbu areas). In line with this growth strategy, the Company, on 28 September 2019G joined, a consortium comprising of Marafiq, Veolia Middle East, and AlAmwal AlKhaleejiah AlThaniya, to bid for the Jeddah Airport II ISTP Project, which was successfully awarded to the consortium on 25 February 2019G. The project is currently in the construction phase.

The Project will consist of the development of a new sewage treatment plant, which will have a total ultimate treatment capacity of up to 500,000 m³/day. The Project will be located in Jeddah in the Kingdom of Saudi Arabia. Following PCOD, the Project Company will be compensated for the treatment of influent by SWPC under a 25-year Sewage Treatment Agreement ("**STA**"). SWPC's obligations under the STA will be supported by a Credit Support Agreement entered into by the Ministry of Finance of KSA on behalf of the Government. This project shall expand the Company's partnerships to join international players and exchange know-how and experience. Also, it will strengthen internal capabilities in order to effectively manage partnerships and reduce reliance on partners over time. Such projects will offer potential growth to the non-regulated portion of the business and shall provide opportunity for shareholder wealth enhancement.

For more information on this project, see Section 4.6.2 ("**Water Related Activities**") of this Prospectus.

A number of additional projects in Saudi Arabia are currently in the pre-selection or bidding phases. In addition, various projects are at initial planning stages with no services providers yet chosen. The Company has been pre-selected for various projects and is negotiating on projects for a definite agreement, but as at the date of this Prospectus no definitive agreement on any of these additional projects had been reached (other than the Jeddah Airport II ISTP Project).

4.12 Employees, employee development and other programs

4.12.1 Employees

As at 31 March 2022G, the Company has 1,405 employees (1,147 of whom are Saudi nationals) while the Company and its Material Subsidiaries (namely Tawreed, MaSa and JWAP) collectively employed a total 2,095 employees (1,630 of whom are Saudi nationals). In addition, the Group has entered into five manpower supply agreements pursuant to which the Company is engaging 59 workers.

The Company entered into employment contracts with all of the Company's Senior Executives and other members of management. The contracts stipulate their salaries and other allowances, according to their qualifications and experience, and include a number of benefits, such as medical insurance for the employees and their families. They are renewable and subject to the Saudi Labour Law. Please refer to Section 5.7.2 ("**Contracts entered into with Senior Executives**") of this Prospectus for summaries of the employment contracts with the Senior Executives.

The table below sets out the number of Saudi and Non-Saudi employees that are employed by the Company across its main divisions as at 31 December 2019G, 2020G and 2021G and the end of the first quarter of 2022G.

Table (4.51): Number of Saudi and Non-Saudi employees at the Company

Function	31 December 2019G			31 December 2020G			31 December 2021G			31 March 2022G		
	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total
Corporate Governance Function	4	5	9	4	5	9	4	4	8	4	4	8
Corporate Strategy Function	6	5	11	16	30	46	13	30	43	13	29	42
Customer Relations & Network	33	149	182	32	142	174	29	138	167	28	138	166
Finance	4	23	27	2	22	24	2	21	23	2	22	24
GM Tawreed	3	17	20	3	17	20	3	14	17	3	14	17
Human Resources & Services	6	75	81	6	58	64	4	47	51	5	47	52
Industrial Security	6	239	245	6	230	236	6	256	262	5	255	260
Information Technology	5	19	24	4	20	24	4	19	23	4	19	23
Operations & Maintenance - YI	83	303	386	80	260	340	77	257	334	77	255	332
Operations & Maintenance - YII	61	182	243	53	166	219	52	168	220	50	165	215
President and CEO	3	12	15	3	14	17	4	15	19	4	15	19
Projects Function	21	47	68	19	51	70	16	44	60	16	42	58
Supply Chain	7	58	65	6	56	62	6	61	67	5	61	66
Technical Asset Management	52	57	109	42	44	86	38	42	80	36	42	78
VP, Engineering & Projects	2	5	7	2	5	7	1	5	6	1	5	6
VP, Operations & Maintenance - Jubail	13	31	44	5	23	28	2	24	26	3	25	28
VP, Operations & Maintenance - Yanbu		1	1		1	1	2	8	10	2	9	11
Total	**309**	**1,228**	**1,537**	**283**	**1,144**	**1,427**	**263**	**1,153**	**1,416**	**258**	**1,147**	**1,405**

Source: The Company

4.12.2 Employees of the Material Subsidiaries

Marafiq Water and Power Supply Company (Tawreed)

Based on the nature of its activities and its role within the Group, Tawreed seconds certain employees from the Company and outsources some of the services required to assist Tawreed's operations as necessary. As at the date of this Prospectus, Tawreed seconded seventeen (17) employees from Marafiq. Tawreed has no registered employees.

MASA Services Company for Operation and Maintenance (MaSa)

MaSa assigns some employees from the company and outsources some of the services required to assist in MaSa's operations as necessary, based on the nature of its activities and its role within the Group. The table below sets out the number of Saudi and Non-Saudi employees that are employed by MaSa across its main divisions.

Table (4.52): Number of Saudi and Non-Saudi employees at MaSa

Function	31 December 2019G			31 December 2020G			31 December 2021G			31 March 2022G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Management	43	15	58	29	12	41	30	11	41	32	12	44
Performance & Reliability	77	76	153	69	71	140	68	72	140	58	64	122
Plant O&M - Jubail	159	84	243	147	74	221	135	65	200	135	64	199
Network O&M -Jubail	169	58	227	146	49	195	148	42	190	156	47	203
O&M- Yanbu	96	19	115	93	17	110	94	13	107	95	15	110
Total	**544**	**252**	**796**	**484**	**223**	**707**	**475**	**203**	**678**	**476**	**202**	**678**

Source: The Company

Jubail Water and Power Company (JWAP)

The table below sets out the number of Saudi and Non-Saudi employees that are employed by JWAP across its main divisions.

Table (4.53): Number of Saudi and Non-Saudi employees at JWAP

Division	31 December 2019G			31 December 2020G			31 December 2021G			31 March 2022G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
ISD	3	1	4	3	1	4	3	1	4	3	1	4
HR & Admin	3	1	4	3	1	4	3	1	4	3	1	4
IT	1	0	1	1	0	1	1	0	1	1	0	1
Finance	1	2	3	1	2	3	1	2	3	1	2	3
Technical	1	2	3	1	1	2	1	0	1	0	0	0
Total	**9**	**6**	**15**	**9**	**5**	**14**	**9**	**4**	**13**	**8**	**4**	**12**

Source: The Company

4.12.3 Saudization

As at 31 March 2022G, the Company and its Material Subsidiaries have a Saudization ratio of 78%. The "**Nitaqat**" Saudization Program was approved pursuant to the Minister of Human Resources and Social Development ("**MHRSD**") Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21/05/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). MHRSD established the "**Nitaqat**" program to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum, green (which is further divided into three categories, low green, middle green and high green), yellow, and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are noncompliant) are deemed to be noncompliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or the complete inability to obtain or renew work visas for foreign employees.

The table below shows the number of employees of the Company and Material Subsidiaries and the achieved Saudization percentages as at 31 March 2022G:

Table (4.54): Saudization percentages of the Company and its Material Subsidiaries as at 31 March 2022G

Company Name	Total Employees	Saudi Employees	Non-Saudi Employees	Saudization % / Category
Marafiq	1,405	1,147	258	82% / Platinum
Tawreed	17	14	3	82% / Platinum
MaSa	678	476	202	70% / Platinum
JWAP	12	8	4	67% / Platinum

Source: The Company

4.13 Key Suppliers and Customers

Overview of key suppliers

The Group's suppliers are a variety of companies including the Group's major shareholders for purposes of fuel, power and gas, which are the principal supplies the Group requires for its operations. The Group also sources other materials such as spare parts from a variety of Saudi and international companies.

Overview of key customers

The Group supplies and provides essential utility services to its industrial, commercial, residential and governmental customers in the industrial cities of Jubail and Yanbu. Jubail is a major center for the petrochemicals industry that includes major industrial facilities, all of which are customers for the Company's water services. Yanbu meanwhile is a major petroleum shipping terminal and is also home to three oil refineries, a plastics facility, and several petrochemical plants, all of which are customers for the Company's electricity and water services. Typically, industrial, governmental, and commercial customers have steady consumption levels. They are generally more prompt in their payments than retail and household customers. In addition, the Company has significantly improved payment terms for government customers in the past three financial years, and especially with the introduction of Etimad in 2021G, payments have been expedited and reduced delays.

In 2021G, approximately 84% of the Group's revenue was derived from SABIC (2% in 2021G), Saudi Aramco (25% in 2021G), the Royal Commission (10% in 2021G), and the associated joint ventures entered into by these entities (SPPC 26% in 2021G and SWCC 2% in 2021G). SABIC, Saudi Aramco, and the Royal Commission for Jubail and Yanbu are amongst the main customers of and suppliers to the Group and play an integral part in the Group's continued operations and growth. SABIC, Saudi Aramco, and the Royal Commission for Jubail and Yanbu also have a strong interest in ensuring the provision of reliable utilities services, as well as the continued strong operational and financial performance of the Group.

The table below sets out the revenues generated from customers of services provided by the Group for the years ended 31 December 2019G, 2020G, 2021G, and the period ended 31 March 2022G:

Table (4.55): Major customers of the Group

Industrial Customers	For the year ended 31 December			For the period ended 31 March
	2019G	2020G	2021G	2022G
	(SAR '000)			
Yanbu Aramco Sinopec Refining Co.	421,003	357,404	398,626	98,740
Sadara Chemical Company	390,507	406,022	418,622	103,877
Saudi Yanbu Petrochemical Co (Exp)	290,928	287,143	269,642	56,389
Yanbu National Petrochemical	216,066	220,564	207,751	48,730
Saudi Aramco Mobile Refinery Co. Ltd	158,408	156,467	163,662	40,389
National Industrial Gases Co.	138,006	145,049	157,382	38,233
Arabian Petrochemical Company-PK	130,970	137,533	138,280	29,843
Arabian Petrochemical Company	98,677	106,494	105,593	24,002

Industrial Customers	For the year ended 31 December			For the period ended 31 March
	2019G	2020G	2021G	2022G
	(SAR '000)			
Eastern Petrochemical Company-SHARQ	95,530	105,024	104,309	25,085
SATORP	89,876	89,762	94,634	24,675
Saudi Arabian Oil Co (ARAMCO)	72,556	76,377	75,263	18,206
Tronox Saudi Industries Co.	41,021	55,726	76,444	19,073
Saudi Iron & Steel Company-HADEED	61,642	73,187	74,797	16,418
Saudi Methanol Company- Ar Raz	67,398	64,900	65,282	14,524
Jubail Petro Chemical Company – KEMYA	62,584	60,023	61,127	13,844
Saudi Kayan Petrochemical	60,910	61,454	61,489	14,510
Saudi Aramco Base Oil Company – Luberef	50,627	52,899	56,946	13,575
National Petrochemical Ind. Co. (NATPET)	19,182	56,775	57,673	12,038
Saudi Arabian Fertilizer Co – SAFCO	46,152	56,212	55,495	13,361
National Petrochem Ind CO – TASNEE	49,165	54,136	51,527	11,186
Saudi Arabian Oil Co. (WASIT)	30,330	50,889	53,100	11,604
Saudi European Petrochemical Co.	42,800	39,687	42,753	7,924
Sahara International Petrochemicals	36,753	37,753	36,009	8,817
National Methanol Company – IBN SINA	33,982	36,948	34,854	8,762
Jubail Fertilizer Company – BAYRONI	33,842	36,725	35,734	8,696
Jubail United Petrochemical Company	31,283	36,205	42,320	11,357
Saudi Chevron	31,113	29,869	29,896	6,776
Saudi Aramco Jubail Refinery Company	27,520	29,624	31,162	7,155
Saudi Polymer	23,375	21,152	24,698	5,430
Farabi Yanbu Petrochemicals	10,276	13,716	32,702	8,233
Arabian Industrial Fibers Polyester	21,013	22,103	23,448	3,775
National Chemical Fertilizer Co – IBB	18,485	22,581	22,774	5,229
Arabian United Float Glass Co.	17,979	18,779	18,882	6,834
Advanced Metal Industries Cluster Co.	5,161	22,031	23,774	5,320
Obeikan Glass Company	20,481	20,827	22,324	5,213
Methanol Chemicals Co.	15,686	14,545	19,499	4,072
Saudi Arabian Oil Co (ARAMCO)	12,400	14,487	14,933	3,347
Arabian Industrial Fibers Co. (PTA)	96,996	75,463	2,593	602
Jubail Chemical Industries Co. JANA	11,227	15,889	9,869	2,277

Source: Company

4.14 Technology and IT infrastructure

The Group's operations are highly reliant on information technology and the importance of cybersecurity and reliable IT infrastructure for the continued operations of the Group cannot be overstated. As a result, the Group's IT strategy is closely intertwined with the corporate strategy. IT is considered the main pillar of the Group's digital transformation program.

IT plays a major role as an enabling factor for the organization. The Group's IT division has been adopting cutting edge technology and best practices to contribute to the Group's success by investing heavily and ensuring that the highest level of reliability and service delivery is maintained.

The Group's IT systems have not experienced any significant interruptions to their availability in the past five years and the Group believes they has significant capacity to support the future growth of its business. In addition, the Group's IT systems have proven resilient and scalable, successfully handling a significant increase in demand, and have the capacity to facilitate future growth.

Enterprise Resource Planning System SAP version ECC6.0EHP8 is the prime platform used to carry out day-to-day operations in the Group. Along with SAP systems, advanced mobile technologies based on the SAP mobile platform are used to keep IT systems benchmarked to the industry standard. The Group has recently upgraded SAP business applications with S4 HANA 2020 FP2.0 as a new generation platform. This is a core pillar in the Group's digital transformation plan, which in turn will enable the Group to contribute to the development of its business in various fields and also contribute to the adoption of modern technologies of artificial intelligence and advanced analytics.

The Group provides the latest applications for customer service via the internet or smart phones, which allow customers to view invoices and consumption, request new services, and communicate with the relevant departments in the event of inquiries or objections, or in the event of a defect in the service.

Information technology contributes to the preservation of the environment through virtual meetings, digital signature applications, an application for tracking files and messages, extracting electronic cards and entry permits for facilities and completing work in all locations.

The information technology services raise employee efficiency and increase productivity by providing them with the latest mobile devices equipped with the latest applications to complete daily work. The Group also launched the "**Success Factors**" application, which enables employees to complete all human resource related work through mobile or smart devices via the internet.

The Group also raises the efficiency of operation and maintenance through information technology by linking information in its production and distribution control units with smart information technology applications, which in turn analyze information in modern ways that contribute to making more reliable decisions, facilitate operational and maintenance work, and reduce costs.

The Information Technology Infrastructure Library (ITIL) is the framework referenced across the Group's IT policies and procedures. The Company has adopted local cloud-based systems that spearhead the automation for increased productivity and high profitability. A new modular data center (Tier 3 design certified by Uptime) is used to enable high-speed multilayered networks with high-end hyperconverged full flash robust servers using virtualized platform and vSAN technologies for boosted performance, scalability, and efficiency. Data backup is employed using DELL Data Domain, Cyber Recovery Vault, and ML3 Tape Library combined with disaster recovery center ensures sustainability, reliability, and business continuity.

The Group's information technology also depends on the cloud computing strategy, as more than 60% of the infrastructure has shifted to cloud computing, with a plan to increase this percentage in the future. This shift will contribute to a reduction in expenses and an increase in efficiency by focusing on meeting the needs of customers and employees.

In addition, the Group's cybersecurity ensures the confidentiality, integrity, and availability of the Group's information, data, and IT services. The Group's cybersecurity focuses on designing, implementing, monitoring and maintaining a robust information security program to enhance the contribution to business and overall information security in line with business needs and in compliance with applicable regulations. The Group also built a security operation center to ensure that it has full visibility across its network with 24/7 monitoring in order to detect and respond to any cybersecurity threats. The Group's cybersecurity department has also adopted the highest security standards (which are compatible with existing systems) in the process of linking information in control units for production and distribution with IT applications.

4.15 Any significant interruption in the business of the Group

There has been no interruption to the business and activities of the Group or any of its subsidiaries that could have had or has had a significant effect on the financial position during the last 12 months. It should be noted that some non-material interruptions occurred in the Group's business in Yanbu Industrial City during the financial years ending 2020G and 2021G, noting that Marafiq stores a reserve ranging from 11% to 12% of electrical energy to maintain the Group's ability to provide the production capacity required under its agreements in the event of any sudden or unplanned interruption.

For additional information about the risks related to breakdowns and interruptions that the Group's industrial facilities may be exposed to, please refer to Section 2.1.1 ("**Risks related to malfunctions and interruptions or shutdowns to which the Group's industrial facilities may be subject**") of this Prospectus.

4.16 Environmental, Social and Governmental Overview (ESG)

The operations of the Group are subject to extensive regulatory requirements, including environmental protection and health and safety requirements. These requirements are generally governed by the laws and regulations applicable to the Group's activities, including the Electricity Law and the Water Law. Being the main regulator in the four industrial cities of Jubail, Yanbu, JCPDI and RIC, the Royal Commission issued in 2015G three volumes of regulations that govern environmental matters in these industrial cities (the "**Royal Commission Environmental Regulations**"). Amongst other things, the regulations aim to provide a safe and clean environment for the residents. Any facility operating or proposing to operate on the Royal Commission's properties within such industrial cities is required to comply with the regulations and standards set out in Volume I, obtain the requisite environmental permits as per Volume II, and will be subject to the penalties set out in Volume III for non-compliance.

Section 1 of Volume II of the regulations sets out the Environmental Permit Program (EPP). The EPP governs the procedures associated with obtaining an environmental permit to construct (EPC) and an environmental permit to operate (EPO). The Royal Commission through the implementation of EPP ensures that industries are complying with all Royal Commission Environmental Regulations. Please refer to Section 12.5 ("**Key Licenses and Approvals**") of this Prospectus for a summary of the environmental permits obtained by the Group.

The Group maintains standards that utilize a continuous improvement approach commonly used throughout the industry through its Security, Safety, Health and Environment Committee (SSHEC), which provides strategic direction and governance on health and safety matters. The SSHEC looks over the health, safety, and fire related matters for the Company's facilities in both Jubail and Yanbu through an Occupational Health and Safety Management System (OHSMS), which is a set of structured procedures consisting of policies, guidance forms, and topics.

The SSHEC forms subcommittees, based on the situational demand, such as the Safety Awareness Committee and the Committee for Contractor Safety. There are two Safety Awareness Committees in both Jubail and Yanbu. The functions of the Safety Awareness Committees are to increase the level of safety awareness among employees by (i) identifying and recommending safety priority areas for the purpose of safety promotional programs to enable the SSHEC for resources allocation; (ii) developing educational programs that address the safety educational needs of the employees; and (iii) evaluating the effectiveness of programs by surveying of the awareness level with the intent of fostering credible safety culture within the organization.

The functions of the Committee for Contractor Safety are to (i) identify, prioritize, and recommend the areas for the purpose of safety promotional programs to enable the SSHEC for resources allocation; (ii) create contractor safety awareness; (iii) inculcate behavior based safety to the contractors; (iv) conduct safety inspections of contractor work place; and (v) develop criteria for the safest contractors award and certificates of appreciation to one contractor company in Jubail and one in Yanbu. The Company contributes to the Kingdom's climate initiatives and aims to achieve an approximate 25% reduction in GHG intensity by 2030G and an approximate 15% reduction in energy intensity by 2030G. As for smart energy meters, the Company is already aiming at a 100% customer coverage with smart energy meters by the end of 2028G and has also set energy reduction targets for the water production and wastewater treatment. In addition, the Company targets 100% of wastewater treated and 55% of wastewater being reused and has a 100% recycling target for wastewater sludge.

Important initiatives in the past included (i) social responsibility at the Company supported in various fields through a series of programs that included civil and charitable associations, and other various authorities in the Eastern Province and Yanbu Governorate; and (ii) the Company's expansion in support programs to include the Jazan region. The following table shows the details of the charitable support and the social and national initiatives to which the Group has contributed:

Table (4.56): Details of the charitable support and the social and national initiatives to which the Group has contributed in the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G

	Nature of support	Beneficiary	The total amount spent by the Group in this regard in the financial year ended 31 December 2019G (SAR)	The total amount spent by the Group in this regard in the financial year ended 31 December 2020G (SAR)	The total amount spent by the Group in this regard in the financial year ended 31 December 2021G (SAR)	The total amount spent by the Group in this regard in the three-month period ended 31 March 2022G (SAR)
1	Financial donations	A number of charities	3,610,000	3,900,000	3,246,500	3,031,062
2	Bearing the costs of school buses in the industrial cities of Jubail and Yanbu, as well as supporting the National Power Academy	A number of educational institutions	6,362,600	5,000,000	N/A	N/A
3	Supporting Sharqiah Season in 2019G and the Ministry of Health to face the coronavirus pandemic in 2020G	A number of national and social initiatives	5,000,000	3,000,000	N/A	N/A

Source: Company

4.17 Ownership structure and founding shareholders

4.17.1 Ownership Structure

The Group's shareholders include its four founding shareholders - the Royal Commission for Jubail and Yanbu (RC), the Saudi Basic Industries Corporation (SABIC), the Saudi Aramco Power Company (SAPCO), and the Public Investment Fund (PIF) as well as seven private-sector investors.

The following table shows the shareholder structure of the Company pre and post-offering.

Table (4.57): Ownership of the Shareholders in the Company

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Par Value	Shareholding Percentage	Number of Shares	Par Value	Shareholding Percentage
Royal Commission for Jubail and Yanbu (RC)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
The Public Investment Fund (PIF)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Saudi Arabian Basic Industries Corporation (SABIC)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Saudi Aramco Power Company (SAPCO)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Zamil Group Holding Company	500,000	5,000,000	0.2%	50,0000	5,000,000	0.2%
Al-Yusr Industrial Contracting Company	200,000	2,000,000	0.08%	200,000	2,000,000	0.08%
Khonaini International Company	1,100,000	11,000,000	0.44%	1,100,000	11,000,000	0.44%

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Par Value	Shareholding Percentage	Number of Shares	Par Value	Shareholding Percentage
The National Titanium Dioxide Company (Cristal)	100,000	1,000,000	0.04%	100,000	1,000,000	0.04%
Rakaiz Aljubail Holding Company	5,500	55,000	0.0022%	5,500	55,000	0.0022%
Total	**250,000,000**	**2,500,000,000**	**100%**	**250,000,000**	**2,500,000,000**	**100%**

Source: Company

The following table shows the ownership details of the Substantial Shareholders in the Company (pre and post offering).

Table (4.58): Ownership of the Substantial Shareholders in the Company

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Capital (SAR)	Sharehold-ing %	No. of Shares	Capital (SAR)	Sharehold-ing %
Royal Commission for Jubail and Yanbu (RC)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
The Public Investment Fund (PIF)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Saudi Arabian Basic Industries Corporation (SABIC)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Saudi Aramco Power Company (SAPCO)	62,023,625	620,236,250	24.81%	43,750,000	437,500,000	17.5%
Total	**248,094,500**	**2,480,945,000**	**99.2%**	**175,000,000**	**1,750,000,000**	**70%**

Source: Company

4.17.2 Substantial shareholders of the Company

The following summarizes the existing major shareholders of the Company.

Royal Commission for Jubail and Yanbu

The Royal Commission for Jubail and Yanbu was established by Royal Decree No. (M/75) dated 16/09/1395H (corresponding to 21/09/1975G), and is wholly owned by the Government of the Kingdom of Saudi Arabia. It is regulated by the Royal Commission for Jubail and Yanbu Regulations issued pursuant to Royal Decree No. M/75 dated 16/09/1395H (corresponding to 21/09/1975G).

The Royal Commission is the responsible authority to regulate two industrial cities (Jubail and Yanbu). The regulatory jurisdiction of the Royal Commission was expanded to include Ras Al-Khair Industrial City and Jazan City for Basic and Downstream Industries pursuant to Royal Decree No. (355) dated 30/10/1430H (corresponding to 19/10/2009G) and Royal Decree No. (75916) dated 22/12/1438H (corresponding to 13/09/2017G).

Table (4.59): Shareholders of the Royal Commission for Jubail and Yanbu

	Shareholder	Shareholding Percentage
1.	Government of the Kingdom of Saudi Arabia	100%

Source: Company

The Public Investment Fund

The Public Investment Fund was established by Royal Decree No. (M/24) dated 25/06/1391H (corresponding to 17/08/1971G) and is a wholly owned fund by the Government of the Kingdom of Saudi Arabia, regulated by the Law of the Public Investment Fund issued pursuant to Royal Decree No. M/92 dated 12/08/1440H (corresponding to 17/04/2019G). As the sovereign wealth fund of Saudi Arabia, it was created for the purpose of investing the state's money on behalf of the Government of Saudi Arabia into various projects and companies, in its capacity as a sovereign fund.

Table (4.60): Shareholders of the Public Investment Fund

	Shareholder	Shareholding Percentage
1.	Government of the Kingdom of Saudi Arabia	100%

Source: Company

Saudi Arabian Basic Industries Corporation (SABIC)

Saudi Arabian Basic Industries Corporation (SABIC) was established by Royal Decree No. (M/66) dated 13/09/1396H (corresponding to 06/09/1976G) and was wholly owned by the Government of the Kingdom of Saudi Arabia. It is now listed as a Saudi joint stock company under commercial registration number (1010010837) dated 14/01/1397H (corresponding to 04/01/1977G) with a capital of SAR 30 billion.

The activities of SABIC include setting up of petrochemical, fertilizer, iron and steel, aluminium, and other basic hydrocarbon industries, plastic industries and innovation (including marketing of their products), as well as business research and technical support. The following table shows the ownership structure of Saudi Arabian Basic Industries Corporation as at the date of this Prospectus.

Table (4.61): Shareholders of SABIC

	Shareholder	Shareholding Percentage
1.	**Aramco Chemical Company**	70%
	Saudi Aramco	100%
	a. Government of the Kingdom of Saudi Arabia	94.186%
	b. Public	5.814%
2.	**Public**	30%

Source: Company

Saudi Aramco Power Company (SAPCO)

Saudi Aramco Power Company is a Saudi limited liability company registered in Saudi Arabia under Commercial Registration No. 2052002626 dated 01/12/1435H (corresponding to 25/09/2014G) with an issued share capital of SAR 100,000.

The activities of SAPCO include developing projects and companies in the fields of energy, electricity, chemicals, oil, and petrochemicals; generation, transmission, and distribution of electrical energy via the company or any of its wholly or partly owned companies; buying, selling, and providing electrical energy services in Saudi Arabia via the company or any of its wholly or partly owned companies; participating and investing in projects in the power and electrical generation sector within and outside Saudi Arabia. The following table shows the ownership structure of Saudi Aramco Power Company as at the date of this Prospectus.

Table (4.62): Shareholders of SAPCO

	Shareholder	Shareholding Percentage
1.	**Saudi Aramco**	100%
	1.1 Government of the Kingdom of Saudi Arabia	94.186%
	1.2 Public	5.814%

Source: Company

4.17.3 Minor shareholders of the Company

Zamil Group Holding Company

Zamil Group Holding Company is a closed joint stock company registered in Saudi Arabia under commercial registration number 2051002758 dated 24/02/1397H (corresponding to 13/02/1977G) with a capital of SAR 522,000,000.

The activities of Zamil Group Holding Company include management of holding companies subsidiaries; possessing real estate and movables required for holding companies; possessing industrial property rights for holding companies subsidiaries; and leasing the industrial property rights for holding companies subsidiaries. The following table shows the ownership structure of Zamil Group Holding Company as at the date of this Prospectus.

Table (4.63): Shareholders of Zamil Group Holding Company

	Shareholder	Ownership (%)
1.	**Jadara Investment Co.**	99%
	1.1 Zamil Abdullah Hamad AlZamil	7.28%
	1.2 Khalid Abdullah Hamad AlZamil	7.28%
	1.3 Fahad Abdullah Hamad AlZamil	7.13%
	1.4 Adeeb Abdullah Hamad AlZamil	7.13%
	1.5 Waleed Abdullah Hamad AlZamil	7.13%
	1.6 Tawfiq Abdullah Hamad AlZamil	7.13%
	1.7 Abdulrahman Abdullah Hamad AlZamil	6.8%
	1.8 Ahmed Abdullah Hamad AlZamil	6.8%
	1.9 Sulaiman Abdullah Hamad AlZamil	6.8%
	1.10 Fatima Abdullah Hamad AlZamil	3.64%
	1.11 Lolwa Abdullah Hamad AlZamil	3.4%
	1.12 Hessa Abdullah Hamad AlZamil	3.4%
	1.13 Badryah Abdullah Hamad AlZamil	3.4%
	1.14 Abdullah Hamad Abdullah AlZamil	3.17%
	1.15 Abdullah Mohammed Abdullah AlZamil	2.84%
	1.16 Nawaf Mohammed Abdullah AlZamil	1.59%
	1.17 Abdulaziz Abdullah AlZamil & Sons Company	1.36%
	1.18 Yasser Hamad Abdullah AlZamil	1.15%
	1.19 Ghassan Hamad Abdullah AlZamil	1.15%
	1.20 Osama Abdulaziz Abdullah AlZamil	0.95%
	1.21 Sattam Abdulaziz Abdullah AlZamil	0.95%
	1.22 Ahmed Abdulaziz Abdullah AlZamil	0.95%
	1.23 Omar Abdulaziz Abdullah AlZamil	0.95%
	1.24 Amal Mohammed Abdullah AlZamil	0.79%
	1.25 Maha Mohammed Abdullah AlZamil	0.79%
	1.26 Noura Mohammed Abdullah AlZamil	0.79%
	1.27 Abdullah Fahad Abdullah Alhamdan	0.76%
	1.28 Hessa Ibrahim Fahad AlBassam	0.68%
	1.29 Anne-Marie Gordon Pickton	0.66%
	1.30 Manahil Abdullah Abdulaziz Alhamdan	0.59%
	1.31 Reem Hamad Abdullah AlZamil	0.58%
	1.32 Haifa Hamad Abdullah AlZamil	0.58%
	1.33 Madawi Abdulaziz Abdullah AlZamil	0.48%
	1.34 Ruqayya Abdulaziz Abdullah AlZamil	0.48%
	1.35 Mounira Fahad Abdullah Alhamdan	0.43%

	Shareholder	Ownership (%)
2.	**Eastern Industrial Investment Company**	1%
	2.1 Jadara Investment Co.	100%
	2.1.1 Zamil Abdullah Hamad AlZamil	7.28%
	2.1.2 Khalid Abdullah Hamad AlZamil	7.28%
	2.1.3 Fahad Abdullah Hamad AlZamil	7.13%
	2.1.4 Adeeb Abdullah Hamad AlZamil	7.13%
	2.1.5 Waleed Abdullah Hamad AlZamil	7.13%
	2.1.6 Tawfiq Abdullah Hamad AlZamil	7.13%
	2.1.7 Abdulrahman Abdullah Hamad AlZamil	6.8%
	2.1.8 Ahmed Abdullah Hamad AlZamil	6.8%
	2.1.9 Sulaiman Abdullah Hamad AlZamil	6.8%
	2.1.10 Fatima Abdullah Hamad AlZamil	3.64%
	2.1.11 Lolwa Abdullah Hamad AlZamil	3.4%
	2.1.12 Hessa Abdullah Hamad AlZamil	3.4%
	2.1.13 Badryah Abdullah Hamad AlZamil	3.4%
	2.1.14 Abdullah Hamad Abdullah AlZamil	3.17%
	2.1.15 Abdullah Mohammed Abdullah AlZamil	2.84%
	2.1.16 Nawaf Mohammed Abdullah AlZamil	1.59%
	2.1.17 Abdulaziz Abdullah AlZamil & Sons Company	1.36%
	2.1.18 Yasser Hamad Abdullah AlZamil	1.15%
	2.1.19 Ghassan Hamad Abdullah AlZamil	1.15%
	2.1.20 Osama Abdulaziz Abdullah AlZamil	0.95%
	2.1.21 Sattam Abdulaziz Abdullah AlZamil	0.95%
	2.1.22 Ahmed Abdulaziz Abdullah AlZamil	0.95%
	2.1.23 Omar Abdulaziz Abdullah AlZamil	0.95%
	2.1.24 Amal Mohammed Abdullah AlZamil	0.79%
	2.1.25 Maha Mohammed Abdullah AlZamil	0.79%
	2.1.26 Noura Mohammed Abdullah AlZamil	0.79%
	2.1.27 Abdullah Fahad Abdullah Alhamdan	0.76%
	2.1.28 Hessa Ibrahim Fahad AlBassam	0.68%
	2.1.29 Anne-Marie Gordon Pickton	0.66%
	2.1.30 Manahil Abdullah Abdulaziz Alhamdan	0.59%
	2.1.31 Reem Hamad Abdullah AlZamil	0.58%
	2.1.32 Haifa Hamad Abdullah AlZamil	0.58%
	2.1.33 Madawi Abdulaziz Abdullah AlZamil	0.48%
	2.1.34 Ruqayya Abdulaziz Abdullah AlZamil	0.48%
	2.1.35 Mounira Fahad Abdullah Alhamdan	0.43%

Source: Company

Al-Yusr Industrial Contracting Company

Al-Yusr Industrial Contracting Company is a closed joint stock company registered in Saudi Arabia under commercial registration number 2055001244 dated 23/03/1404H (corresponding to 28/12/1983G) with a capital of SAR 160,000,000.

The activities of Al-Yusr Industrial Contracting Company include long-distance pipelines, communication and power lines; long-distance oil and gas pipelines; construction and establishment of electrical power stations and transformers; construction of refineries and petrochemical plants; and drilling and earth moving for site preparation purposes. The following table shows the ownership structure of Al-Yusr Industrial Contracting Company as at the date of this Prospectus.

Table (4.64): Shareholders of Al-Yusr Industrial Contracting Company

	Shareholder	Shareholding Percentage
1.	**Jouf Industrial Services Holding Company**	**38.3%**
	1.1 Gof Skills Holding Company 1 WLL	99%
	1.1.1 Investcorp Gulf Opportunity Fund Company 1	98.76%
	1.1.1.1 Investcorp Gulf Investments BSC	99%
	1.1.1.1.1 Investcorp Go Company 1	91%
	1.1.1.1.1.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.1.1.1.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.1.1.1.2 Investcorp Go Company 2	9%
	1.1.1.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.1.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.1.1.2 Investcorp Go Company 1	1%
	1.1.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.1.2 Investcorp Islamic Gulf Opportunity Fund 1 BSC	1.24%
	1.1.2.1 Investcorp Gulf Investments BSC	99%
	1.1.2.1.1 Investcorp Go Company 1	91%
	1.1.2.1.1.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.2.1.1.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.1.2.1.2 Investcorp Go Company 2	9%
	1.1.2.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.2.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.1.2.2 Investcorp Go Company 1	1%
	1.1.2.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.2.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2 Gof Skills Holding Company 2 WLL	1%
	1.2.1 Investcorp Gulf Opportunity Fund Company 1	98.76%
	1.2.1.1 Investcorp Gulf Investments BSC	99%
	1.2.1.1.1 Investcorp Go Company 1	91%
	1.2.1.1.1.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.1.1.1.1.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2.1.1.2 Investcorp Go Company 2	9%
	1.2.1.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.2.1.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2.1.2 Investcorp Go Company 1	1%
	1.2.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.2.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2.2 Investcorp Islamic Gulf Opportunity Fund 1 BSC	1.24%

	Shareholder	Shareholding Percentage
	1.2.2.1 Investcorp Gulf Investments BSC	99%
	1.2.2.1.1 Investcorp Go Company 1	91%
	1.2.2.1.1.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.2.2.1.1.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2.2.1.2 Investcorp Go Company 2	9%
	1.1.2.1.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.2.2.1.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
	1.2.2.2 Investcorp Go Company 1	1%
	1.2.2.2.1 Ebrahim Husain Ebrahim Mohammed	50.50%
	1.2.2.2.2 Puralyn Taloyo Alfonso Fiel	49.50%
2.	**Amr Mustafa Ahmed bin Halim**	**25.1%**
3.	**Prince Faisal Abdulaziz Faisal Al Saud**	**13.3%**
4,	**Dr. Ali Abdulrahman Saleh AlKhalaf**	**13.3%**
5,	**Prince Abdullah Faisal Turki AlSaud**	**10%**

Source: Company

Khonaini International Company

Khonaini International Company is a closed joint stock company registered in Saudi Arabia under commercial registration number 2055000204 dated 05/07/1398H (corresponding to 11/06/1978G) with a capital of SAR 2,000,000.

The activities of Khonaini International Company include construction of all types of residential buildings; general construction of non-residential buildings; general constructions of government buildings; erection of prefabricated constructions on the site; and remodeling or renovating existing residential and non-residential structures, Building finishing, and interior and exterior painting of buildings. The following table shows the ownership structure of Khonaini International Company as at the date of this Prospectus.

Table (4.65): Shareholders of Khonaini International Company

	Shareholder	Ownership (%)
1.	Ahmed Hamad Sulaiman AlKhonaini	25%
2.	Mohammed Hamad Sulaiman AlKhonaini	25%
3.	Abdulaziz Hamad Sulaiman AlKhonaini	25%
4.	Mansour Sulaiman AlKhonaini	1.8%
5.	Khaled Sulaiman AlKhonaini	1.05%
6.	Abdulrahman Sulaiman AlKhonaini	1%
7.	Meteb Sulaiman AlKhonaini	1%
8.	Hamad Sulaiman AlKhonaini	0.9%
9.	Mohammed Sulaiman AlKhonaini	0.9%
10.	Ahmed Sulaiman AlKhonaini	0.9%
11.	Abdulaziz Sulaiman AlKhonaini	0.9%
12.	Hammad Sulaiman AlKhonaini	0.9%
13.	Sultan Sulaiman AlKhonaini	0.9%
14.	Salem Sulaiman AlKhonaini	0.9%
15.	Fahad Sulaiman AlKhonaini	0.9%
16.	Seif Sulaiman AlKhonaini	0.9%
17.	Faisal Sulaiman AlKhonaini	0.9%
18.	Saad Sulaiman AlKhonaini	0.9%
19.	Naif Sulaiman AlKhonaini	0.9%
20.	Saleh Sulaiman AlKhonaini	0.9%
21.	Mounira Hammad AlQahtani	0.75%

	Shareholder	Ownership (%)
22.	Amna Muslim AlMansoori	0.75%
23.	Salama Salem AlMansoori	0.75%
24.	AlZina Saif AlMansoori	0.75%
25.	Sarah Sulaiman Hamad AlKhonaini	0.5%
26.	Hessa Sulaiman AlKhonaini	0.45%
27.	Najlaa Sulaiman AlKhonaini	0.45%
28.	Jawaher Sulaiman AlKhonaini	0.45%
29.	Noura Sulaiman Hamad AlKhonaini	0.45%
30.	Fatima Sulaiman Hamad AlKhonaini	0.45%
31.	Abeer Sulaiman Hamad AlKhonaini	0.45%
32.	Nouf Sulaiman Hamad AlKhonaini	0.45%
33.	Naima Sulaiman Hamad AlKhonaini	0.45%
34.	Latifa Sulaiman Hamad AlKhonaini	0.45%
35.	Sarah Sulaiman Hamad AlKhonaini	0.5%
36.	Moudhi Sulaiman Hamad AlKhonaini	0.45%
37.	Shamma Sulaiman Hamad AlKhonaini	0.45%

Source: Company

The National Titanium Dioxide Company (Cristal)

The National Titanium Dioxide Company is a limited liability company registered in Saudi Arabia under commercial registration number 4030062296 dated 20/03/1409H (corresponding to 01/11/1988G) with a capital of SAR 2,362,500,000.

The activities of The National Titanium Dioxide Company include wholesale of industrial chemicals. The following table shows the ownership structure of the National Titanium Dioxide Company as at the date of this Prospectus.

Table (4.66): Shareholders of The National Titanium Dioxide Company (Cristal)

	Shareholder	Shareholding Percentage
1.	**National Industrialization Company**	**79%**
	1.1 Kingdom Holding Company	6.23%
	1.1.1 Prince Al Waleed bin Talal Al Saud	78.13%
	1.1.2 Public Investment Fund	16.87%
	1.1.2.1 Government of the Kingdom of Saudi Arabia	100%
	1.1.3 Public	5%
	1.2 Public	93.77%
2.	**Gulf Investments Corporation**	**20%**
	2.1 Government of the Kingdom of Bahrain	16.67%
	2.2 Government of the State of Kuwait	16.67%
	2.3 Government of the Kingdom of Sultanate of Oman	16.67%
	2.4 Government of the State of Qatar	16.67%
	2.5 Government of the Kingdom of Saudi Arabia	16.67%
	2.6 Government of the United Arab Emirates	16.67%
3.	**Dr. Talal Ali Al Shaer**	**1%**

Source: Company

Rakaiz Aljubail Holding Company

Rakaiz Aljubail Holding Company is a limited liability company registered in Saudi Arabia under Commercial Registration No. 2055000028 dated 10/10/1395H (corresponding to 16/10/1975G) with a share capital of SAR 100,000.

The activities of the company include building construction; maintenance and operation of buildings; general building cleaning services; building maintenance services; and general building cleaning. The following table shows the ownership structure of Rakaiz Aljubail Holding Company as at the date of this Prospectus.

Table (4.67): Shareholders of Rakaiz Aljubail Holding Company

	Shareholder	Shareholding Percentage
1.	Rashid Eid Ali Khater	30%
2.	Abdullah Eid Ali Khater	30%
3.	Mohammed Eid Ali Khater	30%
4.	Hind Ali Saad AlRaqtan	10%

Source: Company

4.18 Overview of any material changes in the nature of the company's business

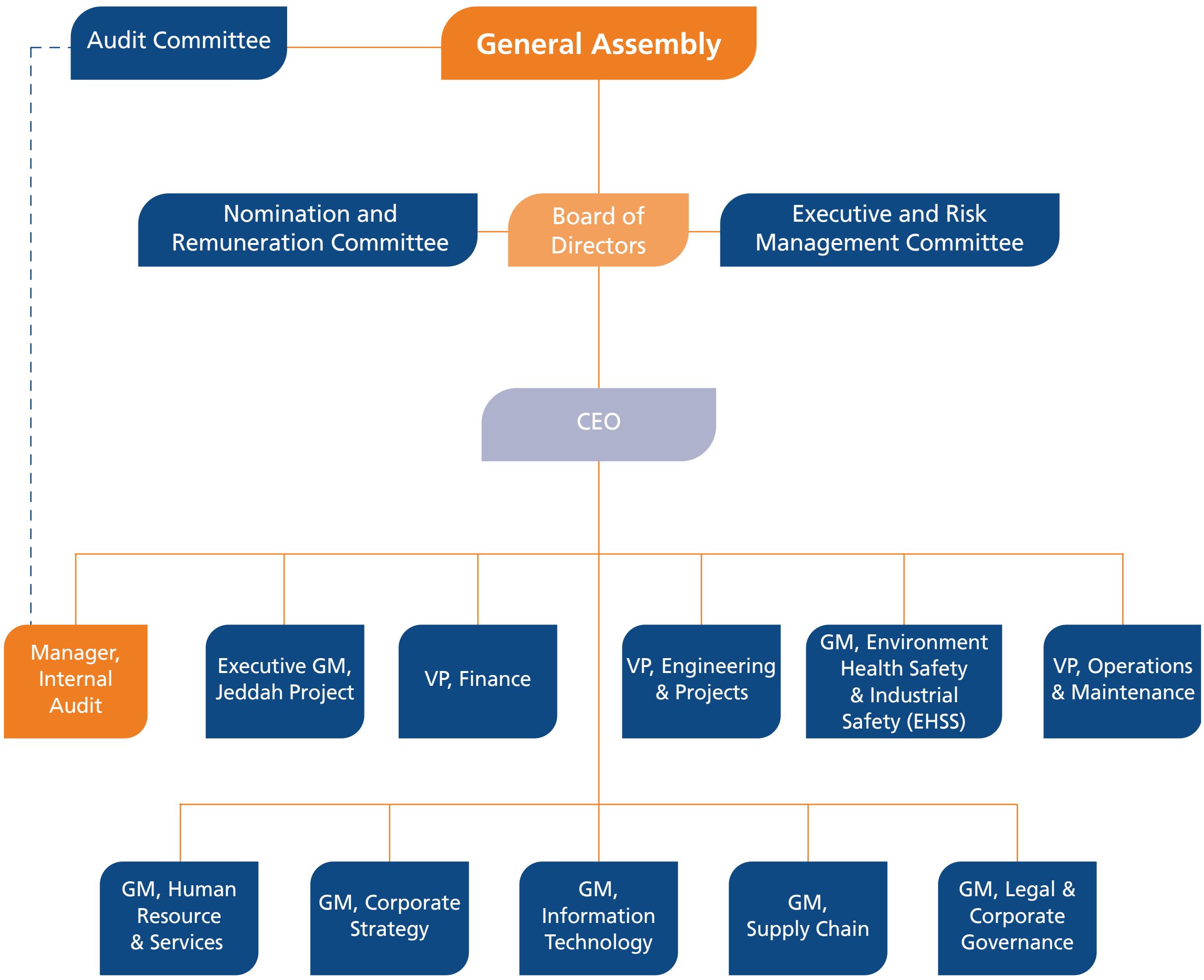
As at the date of this Prospectus, there has been no material change in the nature of the Group's business that may, singly or collectively, have a material impact on the Group's business, financial position, results of operations or prospects.

5. The Company's Organizational Structure and Governance

5.1 Organizational Structure

The Company has an organizational structure composed of the Board of Directors (the "**Board of Directors**" or the "**Board**") and the Board committees, namely the Executive and Risk Management Committee, the Audit Committee and the Nomination and Remuneration Committee. These committees assume the powers delegated to them by the Board of Directors in accordance with the Company's corporate governance rules. The Board assumes ultimate responsibility for the general direction, supervision and control of the Company and the Executive Management. The following chart sets out the organizational structure of the Company:

Figure (5.1): Organizational Structure of the Company



5.1.1 Overview

As at the date of this Prospectus, the Company's capital is two billion, five hundred million Saudi Riyals (SAR 2,500,000,000) fully paid, divided into two hundred and fifty million (250,000,000) ordinary shares, all of which are of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share.

The following table also shows the Company's direct and indirect ownership structure before and after the Offering:

Table (5.1): Company's Shareholding Structure Before and After the Offering

Shareholders	Pre-Offering				Post-Offering			
	Number of Shares	Nominal Value (SAR)	Direct Owner-ship (%)	Indirect Owner-ship (%)*	Number of Shares	Nominal Value (SAR)	Direct Owner-ship (%)	Indirect Owner-ship (%)*
Royal Commission for Jubail and Yanbu	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Public Investment Fund	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Basic Industries Corporation (SABIC)	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Aramco Power Company	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Zamil Group Holding Company	500,000	5,000,000	0.2%	-	500,000	5,000,000	0.2%	-
Al Yusr Industrial Contracting Company	200,000	2,000,000	0.08%	-	200,000	2,000,000	0.08%	-
Khonaini International Company	1,100,000	11,000,000	0.44%	-	1,100,000	11,000,000	0.44%	-
The National Titanium Dioxide Company (Cristal)	100,000	1,000,000	0.04%	-	100,000	1,000,000	0.04%	-
Rakaiz Al-Jubail Holding Company	5,500	55,000	0.0022%	-	5,500	55,000	0.0022%	-
The Public	-	-	-	-	73,094,500	730,945,000	29.24%	-
Total	**250,000,000**	**2,500,000,000**	**100%**	**-**	**250,000,000**	**2,500,000,000**	**100%**	**-**

Source: The Company

* For the purposes of this table, indirect ownership includes shares owned indirectly by Shareholders through companies or persons controlled by the relevant Shareholder.

5.2 Board of Directors and Board Secretary

5.2.1 Composition of the Board

The Board of Directors is composed of seven (7) members appointed by the Ordinary General Assembly. The Companies Law, the Corporate Governance Regulations, the Company's Bylaws, and the Company's corporate governance rules define the duties and responsibilities of the Board of Directors. The membership term of the Board of Directors - including the Chairman - is a maximum of three (3) years per term, and they may be re-elected for subsequent terms. All members of the Company's Board of Directors are non-executive members, and the Board includes two (2) independent members as at the date of this Prospectus. The following table sets out the names, details and ownership percentages of the Directors as at the date of this Prospectus:

Table (5.2): The Company's Board of Directors

Name (1)	Position	Entity Represented by the Member	Nationality	Status	Direct Ownership (%)		Indirect Ownership (%)*		Date of Appointment**
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Eng. Khalid Mohammed Abdulrahman Al-Salem	Chairman	The Royal Commission for Jubail and Yanbu	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Ahmed Mohammed Ahmed Al-Jabr	Vice Chairman	Saudi Basic Industries Corporation (SABIC)	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Badr Abdullah Saad Al-Ghariry	Director	Public Investment Fund	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Musaad Ahmed Abdullah Al-Sayouhi	Director	Saudi Aramco Power Company	Saudi	Non-executive/ Non-independent	-	-	-	-	21 April 2022G
Suliman Khalid Abdulrahman Al-Mazroua	Director	Does not represent any specific party	Saudi	Non-executive/ Independent	-	-	-	-	21 April 2022G
Amr Abdulaziz Abdullah Al-Jallal	Director	Does not represent any specific party	Saudi	Non-executive/ Independent	-	-	-	-	21 April 2022G
Soliman Abdulaziz Soliman Al-Hosain	Director	Does not represent any specific party	Saudi	Non-executive/ Non-independent[16]	-	-	-	-	21 April 2022G

Source: The Company

* For the purposes of this Table, indirect ownership includes shares owned indirectly by the Directors through companies or persons controlled by the relevant Director.

** The dates refer to the beginning of each Director's appointment to the Board until the end of the current term of the Board.

The current Board Secretary is Mr. Muhammed Abdulhamid Ibrahim Al-Mulhim, who was appointed for the current Board term pursuant to Board of Directors Resolution No. (2/2022) dated 12/05/2022G. He does not own any shares in the Company.

16 It should be noted that the Director Soliman Abdulaziz Soliman Al-Hosain is a non-independent member as at the date of this Prospectus because he is a board member of SABIC Agri-Nutrients Company, which is an affiliate of the Issuer, as per the provisions of Article 20(c)(5) of the Corporate Governance Regulations ("CGRs"). This is due to the indirect ownership by Saudi Arabian Oil Company (Saudi Aramco) of more than 30% in both SABIC Agri-Nutrients Company and Marafiq. It should also be noted that Aramco's total ownership in Marafiq's capital will fall below 30% after the Offering. Because SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will result in the provisions of Article 20(c)(5) of the CGRs to no longer apply. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain shall be changed to "independent" as of the date of the Listing, and the Company will be in compliance with the requirements of Paragraph (3) of Article 16 of the CGRs after the Offering.

5.2.2 Summary Biographies of the Company's Directors and Secretary

An overview of the experience, qualifications and current and previous positions of each Director and the Board Secretary is provided below.

Table (5.3): Summary Biography of Khalid Mohammed Abdulrahman Al-Salem- Chairman of the Board of Directors

Name	Khalid Mohammed Abdulrahman Al-Salem
Age	53 years
Nationality	Saudi
Current Position	Chairman
Academic Qualifications	Master's Degree in Business, Thunderbird School of Global Management, USA, 2013G. Bachelor's Degree in Chemical Engineering, King Saud University, KSA, 1991G.
Other Current Positions	• Chairman (minister rank), Royal Commission for Jubail and Yanbu, a government entity, operating in the field of management and development of Yanbu and Jubail Industrial Cities, from 2022G to present. • Director, Technical and Vocational Training Corporation, a Saudi Government institution, operating in the field of training and education, from 2022G to present. • Director, Saudi Energy Efficiency Center, a Saudi Government center, operating in the field of energy efficiency, from 2020G to present. • Chairman, GCC Goods Technical Team Committee, a Government committee, operating in the field of leading technical negotiations for commodities in GCC countries, from 2020G to present. • Member, Clean Development Mechanism Designed National Authority, a Saudi government committee, operating in the field of clean development, from 2020G to present. • Member, Logistics Committee of the National Industrial Development and Logistics Program, a Saudi Government program, operating in the field of monitoring the implementation of the logistics strategy, from 2020G to present. • Member, the Housing Conditions of Labor Committee, a Saudi government committee, operating in the field of monitoring the application of procedures and regulation of workers' accommodation, from 2020G to present. • Member, Precautionary and Preventive Measures Review Committee, a Saudi government committee, operating in the field of applying precautionary measures, from 2020G to present. • Director, Higher Institute for Plastics Fabrication, a Saudi non-profit educational institution, operating in the field of training and education, from 2017G to present. • CEO, Saudi Authority for Industrial Cities and Technology Zones (MODON), a Saudi Government authority, operating in the field of development and supervision of industrial cities, from 2017G to present.

Previous Positions	• Director, Saudi Standards, Metrology and Quality Organization, a Saudi Government entity, operating in the field of standardization, from 2018G to 2021G. • Deputy Minister, Ministry of Energy (formerly known as the Ministry of Energy, Industry and Mineral Resources), a Saudi Government entity, operating in the industrial field, from 2018G to 2019G. • Executive Director, High Institute for Elastomer Industries, a Saudi Government institute, operating in the field of education, from 2015G to 2018G. • CEO, the National Industrial Development Program, a Saudi Government program, operating in the industrial field, from 2015G to 2017G. • Vice President of Plastic and Packaging, the National Industrial Clusters Program, a Saudi Government program, operating in the industrial field, from 2014G to 2015G. • Chemical Technologies General Manager, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 2010G to 2014G. • Executive Director, Saudi European Petrochemical Company, a Saudi limited liability company, operating in the industrial field, from 2010G to 2013G. • Chairman, SABIC Technology and Innovation Center, a limited liability company in India, operating in the field of research, from 2007G to 2010G. • Technology and Coordination General Manager, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 2006G to 2010G. • Director, Scientific Design Company, a private for-profit company incorporated in the United States, operating in the field of technology, from 2006G to 2009G. • Executive Director, Arab Industrial Fibers Company (Ibn Rushd), a Saudi limited liability company, operating in the industrial field, from 2003G to 2006G. • Chemical Research Vice President, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 1999G to 2006G. • Polyester Technology Department Manager, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 1995G to 1999G. • Operations Engineer, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 1991G to 1995G.

Source: The Company

Table (5.4): Biography of Ahmed Mohammed Ahmed Al-Jabr - Vice Chairman

Name	Ahmed Mohammed Ahmed Al-Jabr
Age	58 years
Nationality	Saudi
Current Position	Vice Chairman
Academic Qualifications	Bachelor's degree in Chemical Engineering, King Fahd University of Petroleum and Minerals, KSA, 1987G.
Other Current Positions	• Executive Vice President of Manufacturing, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 2021G to present. • Non-executive Chairman, National Industrial Gases Company (GAS), a Saudi limited liability company, operating in the industrial field, from 2019G to present.
Previous Positions	• CEO, SABIC Agri-Nutrients Company, a Saudi listed joint stock company, operating in the field of basic materials, from 2015G to 2021G. • Non-executive Director, Aluminum Bahrain (Alba), a joint stock company listed in Bahrain, operating in the field of aluminum industry, from 2017G to 2020G. • CEO, Eastern Petrochemical Company (Sharq), a Saudi limited liability company, operating in the field of petrochemicals, from 2013G to 2015G. • CEO, Al-Jubail Fertilizers Company, a Saudi limited liability company, operating in the field of fertilizers, from 2009G to 2012G. • Non-executive Director, Arabian Industrial Fibers Company (Ibn Rushd), a Saudi limited liability company, operating in the industrial field, from 2004G to 2009G. • Non-executive Director, National Chemical Fertilizer Company (Ibn Al Baytar), a Saudi limited liability company, operating in the field of chemical fertilizers, from 2002G to 2009G.

Source: The Company

Table (5.5): Summary Biography of Badr Abdullah Saad Al-Ghariry - Director

Name	Badr Abdullah Saad Al-Ghariry
Age	30 years
Nationality	Saudi
Current Position	Director
Academic Qualifications	Bachelor's degree in Finance, Arizona State University, USA, 2013G.
Other Current Positions	• Non-executive Director, Global Environmental Management Services, a Saudi limited liability company, operating in the field of hazardous industrial waste management, from 2022G to present. • Non-executive Vice President, Public Investment Fund, a Saudi government fund, operating in the field of investment, from 2016G to present.
Previous Positions	• Assistant Portfolio Manager, HSBC, a Saudi limited liability company, operating in the field of investment, from 2014G to 2016G.

Source: The Company

Table (5.6): Summary Biography of Musaad Ahmed Abdullah Al-Sayouhi - Director

Name	Musaad Ahmed Abdullah Al-Sayouhi
Age	40 years
Nationality	Saudi
Current Position	Director
Academic Qualifications	• Certified Public Accountant Certificate, Washington State Accounting Board of Accountancy, USA, 2016G. • Certified Management Accountant Certificate, Institute of Management Accounting, USA, 2010G. • Master's degree in Business Administration, Bentley University, USA, 2010G. • Bachelor's degree in Business Administration, University of Colorado Boulder, USA, 2005G.
Other Current Positions	• Acting Assistant Controller, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2022G to present. • Director, Saudi Aramco Jubail Refinery (SASREF), a Saudi limited liability company, operating in the field of energy, from 2021G to present. • Director, Saudi Aramco Mobil Refinery Company (SAMREF), a Saudi limited liability company, operating in the field of energy, from 2018G to present. • Director, Stellar Insurance, a limited liability company in Bermuda, operating in the field of insurance, from 2018G to present.
Previous Positions	• General Manager of the Planning, Budgeting and Performance Management Center, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2020G to 2021G. • Acting Assistant Controller, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from September 2019G to December 2019G. • Manager of Financial Accounting Department, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2018G to 2019G. • Director of Finance, Readiness and Compliance Department, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2016G to 2019G. • Accounting Analyst, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2005G to 2016G.

Source: The Company

Table (5.7): Summary biography of Suliman Khalid Abdulrahman Al-Mazroua - Director

Name	Suliman Khalid Abdulrahman Al-Mazroua
Age	45 years
Nationality	Saudi
Current Position	Director
Academic Qualifications	• Master's degree in Business Administration, University of Hull, United Kingdom, 2006G. • Bachelor's degree in Systems Engineering, King Fahd University of Petroleum and Minerals, KSA, 2001G.
Other Current Positions	• Non-executive Director, Taibah Valley, a Saudi company affiliated with Taibah University, operating in the field of technology, from 2021G to present. • CEO, National Industrial Development and Logistics Program, a Saudi Government program operating in the field of logistics strategy implementation follow-up, from 2019G to present.
Previous Positions	• COO, National Industrial Development and Logistics Program (NIDLP), a Saudi Government program, operating in the field of logistics strategy implementation follow-up, from February 2019G to August 2019G. • Director General, Delivery and Rapid Intervention Center, a Saudi Government center operating in the field of supervision and follow-up, from 2018G to 2019G. • Executive Director, Delivery and Rapid Intervention Center, a Saudi Government center operating in the field of supervision and follow-up, from 2017G to 2018G. • Administrator of Demand Planning, IT Strategy and Technology Planning, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2016G to 2017G. • Superintendent of Communications Network Operations and Management, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from August 2016G to October 2016G. • Chief Technology Officer, Johns Hopkins Aramco Healthcare, a health center joint project between Aramco and Johns Hopkins in the KSA, operating in the field of health, from 2015G to 2016G. • Information Technology Planning Manager, Johns Hopkins Aramco Healthcare, a health center joint project between Aramco and Johns Hopkins in the KSA, operating in the field of health, from 2015G to 2016G. • Acting Chief Information Officer, Johns Hopkins Aramco Healthcare, a health center joint project between Aramco and Johns Hopkins in the KSA, operating in the field of health, from August 2015G to September 2015G. • Acting Division Head, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from September 2015G to October 2015G. • Supervisor of Network System Support, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2014G to 2015G. • Supervisor of the Communications and Network Operations Unit, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2012G to 2014G. • Networks Consultant, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2007G to 2011G. • Wireless Engineer, Aruba Networks, a limited liability company established in the USA, operating in the field of communications and technology networks, from 2006G to 2007G. • Quality Assurance Engineer, Caspian Networks, a private company established in the USA, operating in the field of communications and technology networks, from January 2006G to October 2006G. • Network and Security Engineer, Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 2001G to 2006G.

Source: The Company

Table (5.8): Summary Biography of Amr Abdulaziz Abdullah Al-Jallal - Director

Name	Amr Abdulaziz Abdullah Al-Jallal
Age	43 years
Nationality	Saudi
Current Position	Director
Academic Qualifications	• Master's degree in Business Administration, Rice University, USA, 2010G. • Bachelor's degree in Information Management, King Fahd University of Petroleum and Minerals, KSA, 2002G.
Other Current Positions	• Director, National Agricultural Development Company (NADEC), a Saudi listed joint stock company, operating in the field of food production, from 2021G to present. • Member of the Executive Committee, National Agricultural Development Company (NADEC), a Saudi listed joint stock company, operating in the field of food production, from 2021G to present. • Chairman of the Nomination and Remuneration Committee, National Agricultural Development Company (NADEC), a Saudi listed joint stock company, operating in the field of food production, from 2021G to present. • Vice Chairman, Abdulmohsen Alhokair Group for Tourism and Hospitality (Alhokair Group), a Saudi listed joint stock company, operating in the field of consumer services, from 2021G to present. • Member of the Audit Committee, Alhokair Group for Tourism and Hospitality (Alhokair Group), a Saudi listed joint stock company, operating in the field of consumer services, from 2021G to present. • Director, October Pharma, a joint stock company listed in Egypt, operating in the field of pharmaceuticals, from 2021G to present. • CEO, Thabat AlAmaal Limited, a Saudi limited liability company, operating in the field of financial market investments, from 2021G to present. • CEO, Wajihat AlHamra for Investments, a Saudi limited liability company, operating in the field of direct investment, from 2021G to present. • CEO, Wajihat AlManar for Investments, a Saudi limited liability company, operating in the field of real estate investment, from 2021G to present. • CEO, Tahaluf AlHabib for Investments, a Saudi limited liability company, operating in the field of direct investment, from 2021G to present. • CEO, Saqi Investments, a Saudi limited liability company, operating in the field of real estate investments, from 2020G to present. • Director, Hamat Holding Company, a Saudi joint stock company, operating in the field of real estate investment, from 2020G to present. • Managing Director, Namara Investments, a Saudi limited liability company, operating in the field of investment, from 2020G to present. • CEO, Namara Investments, a Saudi limited liability company, operating in the field of investment, from 2020G to present. • Member of the Investment Committee, Saudi Agricultural and Livestock Investment Company (SALIC), a Saudi joint stock company, operating in the field of agricultural investment and livestock production, from 2019G to present. • Director, Venture Capital and Private Equity Association, a Saudi association established by a Council of Ministers' resolution, operating in the field of venture capital and private equity, from 2019G to present. • Director, Saudi Egyptian Industrial Investments, an unlisted joint stock company in Egypt, operating in the field of industrial investment, from 2018G to present. • Chairman of the Investment Committee, Saudi Egyptian Industrial Investments, an unlisted joint stock company in Egypt, operating in the field of industrial investment, from 2018G to present.
Previous Positions	• Director, Fund of Funds (Jada), a Saudi closed joint stock company, operating in the field of investment, from 2018G to 2021G. • Member of the Nomination and Remuneration Committee, Fund of Funds (Jada), a Saudi closed joint stock company, operating in the field of investment, from 2018G to 2021G. • Managing Directors of Private Equity Investments and Investment Banking, Jadwa Investment, a Saudi closed joint stock company, operating in the field of investment, from 2014G to 2020G. • Senior Vice President of Investment Banking, Saudi Fransi Capital, a Saudi closed joint stock company, operating in the field of finance, from 2012G to 2014G. • Head of the Industrial and Services Sector Listing Unit, Capital Market Authority, a Saudi governmental entity, operating in the field of the financial market regulation and supervision, from 2004G to 2012G. • Credit Officer, Samba Financial Group, a Saudi listed joint stock company, operating in the field of finance, from 2002G to 2004G

Source: The Company

Table (5.9): Summary Biography of Soliman Abdulaziz Soliman Al-Hosain - Director

Name	Soliman Abdulaziz Soliman Al-Hosain
Age	61 years
Nationality	Saudi
Current Position	Director
Academic Qualifications	• Bachelor's degree in Business Administration and Marketing, Huston–Tillotson University, USA, 1983G.
Other Current Positions	• Director, SABIC Agri-Nutrients Company, a Saudi listed joint stock company, operating in the field of basic materials, from 2020G to present. • Chairman of the Nomination and Remuneration Committee, SABIC Agri-Nutrients Company, a Saudi listed joint stock company, operating in the field of basic materials, from 2020G to present. • Director, the National Society for Community Services (Ajwad), a Saudi non-profit charitable association, operating in the field of non-profit, from 2020G to present. • Partner, Polymer Plus Technologies Ltd., a Saudi limited liability company, operating in the field of chemical process, from 2018G to present. • Chairman of the Board of Trustees, SABIC Employees Charity Fund, a Saudi civil charitable organization, operating in the field of non-profit, from 2016G to present. • Director, Polymer Plus Technologies Limited, a Saudi limited liability company, operating in the field of chemical process, from 2011G to present.
Previous Positions	• Director, Arab Industrial Fibers Company (Ibn Rushd), a Saudi limited liability company, operating in the field of industry, from 2008G to 2016G. • Director, Rabigh Refining and Petrochemical Co., a Saudi listed joint stock company, operating in the field of energy, from 2012G to 2015G. • Member of the Audit Committee, Rabigh Refining and Petrochemical Co. (Petro Rabigh), a Saudi listed joint stock company, operating in the field of energy, from 2012G to 2015G. • CEO, Saudi Yanbu Petrochemical Company, a Saudi limited liability company, operating in the field of industry, from 2005G to 2011G. • Director, Eastern Petrochemical Company, a Saudi limited liability company, operating in the field of petrochemical, from 2004G to 2008G. • General Manager of Financial Affairs and Resources, Saudi Yanbu Petrochemical Company, a Saudi limited liability company, operating in the industrial field, from 1997G to 2005G.

Source: The Company

Table (5.10): Summary Biography of Muhammed Abdulhamid Ibrahim Al-Mulhim - Board Secretary

Name	Muhammed Abdulhamid Ibrahim Al-Mulhim
Age	40 years
Nationality	Saudi
Current Position	Board Secretary and Vice President of Finance
Academic Qualifications	• Bachelor's degree in Finance, King Fahd University of Petroleum and Minerals, KSA, 2004G.
Other Current Positions	• Non-executive Director, Marafiq Water and Power Supply Company (Tawreed), a Saudi limited liability company, operating in the field of water and energy, from 2021G to present. • Non-executive Director, MASA Services Company for Operation and Maintenance, a Saudi limited liability company, operating in the field of operation and maintenance, from 2021G to present. • Non-executive Director, Jeddah Althaniya Water Company, a Saudi closed joint stock company, operating in the field of water, from 2021G to present. • Vice President of Finance, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2021G to present. • Non-executive Director, Marafiq Insurance, a British limited liability company, operating in the field of insurance, from 2018G to present.

Previous Positions	• Director, Clariant Materbatche (Saudi Arabia), a Saudi limited liability company, operating in the field of plastics, from 2017G to 2018G. • Executive Director, National Inspection Co., a Saudi limited liability company, operating in the field of inspection and audit, from 2017G to 2018G. • Director, National Batteries Company, a Saudi limited liability company, operating in the field of industry, from 2016G to 2018G. • General Manager of Finance, National Industrialization Company, a Saudi listed joint stock company, operating in the field of basic materials, from 2015G to 2018G. • Performance and Reports Manager, Saudi Basic Industries Corporation (SABIC), a Saudi listed joint stock company, operating in the field of materials, from 2014G to 2015G. • Budget and Reports Manager, Eastern Petrochemical Company, a Saudi limited liability company, operating in the field of petrochemical, from 2009G to 2014G. • Financial Accountant, Eastern Petrochemical Company, a Saudi limited liability company, operating in the field of petrochemical, from 2004G to 2009G.

Source: The Company

5.2.3 Responsibilities and Powers of the Board of Directors

Following are the responsibilities and powers of the Board in accordance with the Company's Bylaws:

1- Without prejudice to the powers reserved for the General Assembly, the Board shall have the widest authorities in managing the affairs of the Company in order to achieve its objectives inside and outside the Kingdom of Saudi Arabia, including, but not limited to, the following:

- Represent the Company in its relations with third parties and governmental or private entities, including but not limited to, civil rights entities, the police, chambers of commerce and industry, private entities, companies and institutions of all kinds, treasuries, all government financing funds and institutions of various titles and functions, as well as financial institutions of all kinds.
- Collect, pay, acknowledge, claim, defend, plead, dispute and settle on behalf of the Company, accept appeals against judgments, request execution of judgments and collect judgment proceeds.
- Dispose of the Company's assets, property and real estate, exercise the right to purchase and accept purchase, pay a price, mortgage, release mortgage, sell, convey, collect a price, hand over the sold item, receive deeds and rent and lease on behalf of the Company, provided that the minutes of the Board of Directors include the reasons for the resolution to dispose of the Company's assets, property and real estate, subject to the following conditions:

  a- The Board must specify the reasons and justifications for this disposal in the disposal resolution.

  b- The price of the sold asset, in the case of sale, must be approximate to the price of a similar asset, as determined in accordance with the applicable accounting principles.

  c- In the case of disposal by sale, the sale shall not be deferred except in cases of necessity and with adequate guarantees.

  d- Such disposal shall not result in the suspension of some of the Company's activities, its lack of sufficiency or the imposition of other obligations on it.

- Bid for tenders and carry out transactions on behalf of the Company, sign all types of contracts, agreements and documents on behalf of the Company, including, but not limited to, articles of association of companies established or wholly owned by the Company or in which the Company is a shareholder, sign all amendments and appendices of their articles of association and all shareholders' resolutions before notaries public and official and private entities, including decisions related to liquidation, withdrawal, increase or decrease of capital, assignment and purchase of shares and authentication of articles of association and sign the same before the Companies Department at the Ministry of Commerce, authenticate the same with the competent notaries, attend general assembly meetings of such companies, vote on behalf of the Company in such meetings and sign the shareholders' resolutions.
- The Board of Directors may also enter into loan agreements with government financing funds and institutions, regardless of the length of the terms, in addition to loan agreements whose terms do not exceed the Company's term, subject to the following conditions:

  a- The Board of Directors must specify in its resolution the purposes of the loan and how it will be repaid.

  b- The loan terms and guarantees must not harm the Company, its shareholders, and the general creditor guarantees.

- The Board of Directors shall also have the right to request and accept reconciliation and waive, enter into and adhere to contracts on behalf of the Company. The Board of Directors shall have the authority to carry out all acts necessary to achieve the Company's objectives.
- Sign loan agreements, waive priority of payment of the Company's debts, issue guarantees for third-party obligations, grant all guarantees and compensation and issue legal powers of attorney on the Company's behalf.

2- The Board of Directors shall, in cases it deems appropriate, have the right to release the Company's debtors from their obligations, taking into account the Company's interest in accordance with the accounting standards followed in the event of bad debts, provided that the minutes of the Board of Directors include the reasons for its resolution, taking into account the following conditions:

   a- The release shall be made at least one full year after the debt is incurred.

   b- Each debtor's release shall be for a specified maximum amount per year.

   c- The right to release shall be reserved for the Board of Directors and may not be delegated.

- Open, manage, operate and close bank accounts, open letters of credit, receive, pay, withdraw and deposit amounts with banks, issue bank guarantees, sign all documents and checks and carry out all bank transactions.
- Appoint and dismiss managers, employees and workers, recruit labor from outside the Kingdom, contract with them and determine their duties and salaries.
- Endorse the Company's business plan and approve its annual operating plans and balance sheets.

3- The Board of Directors may authorize the investment of the Company's liquid funds.

- The Board may, within the limits of its competence, delegate any of its powers to any of its members or to a third party to take a certain action(s) or conduct certain work(s).
- The Board is responsible for the Company's business even if it delegates some of its powers to committees, departments, or individuals. In any case, the Board may not issue a general or an open-ended delegation.
- In addition to what is set out above, the Board enjoys all the responsibilities and duties set out in Chapter II and Chapter III of the CGRs.

5.2.4 Responsibilities and Duties of the Chairman and Vice Chairman of the Board

- Pursuant to the Company's Bylaws and subject to the Companies Law, the Board of Directors shall appoint a Chairman from among its members and determine their responsibilities. The Board of Directors shall also appoint a Vice Chairman to replace the Chairman in their absence. The Chairman shall have the power to call for Board meetings to be convened and preside over meetings of the Board and the General Assembly. The Chairman shall represent the Company before courts, arbitration entities and third parties. The Chairman may, by a written resolution, delegate some of their powers to other Board members, the Company's CEO or third parties to carry out a specific act(s). The Board of Directors shall also appoint a CEO for the Company who is not a Board member. The appointment resolution shall set out the CEO's responsibilities, duties and financial rights. The Board shall also appoint one or more deputies for the CEO, based on the CEO's recommendation. The appointment resolution shall set out their responsibilities, duties and financial rights.
- The Chairman shall preside over General Assembly meetings. In the Chairman's absence, the meetings will be presided over by the Vice Chairman. If both are unavailable, the Board of Directors shall appoint one of the Directors to fill the vacancy.

5.2.5 Responsibilities and Duties of the Board Secretary

The responsibilities of the Secretary of the Company's Board of Directors shall include the following:

The Board shall appoint a Secretary and determine their responsibilities and remuneration. The Secretary shall be responsible for all administrative work of the Board of Directors, Board meetings and Board committees. According to the Company's Corporate Governance Manual, the Secretary shall have the following responsibilities:

- Document Board meetings and prepare minutes that contain the discussions and deliberations that took place in the meetings, indicating the place and date of the meetings as well as the times of their beginning and end, document the Board's resolutions and voting results and keep them in a separate and organized record, write down the names of the attending Directors and their reservations and directions, if any, and present such minutes to the Chairman for his signature after they are approved by the attending members.

- Give Directors sufficient notice of the dates of the Board's meetings.
- Regulate the Register of Disclosures of the Board and Executive Management.
- Provide Directors with the agenda of the Board meeting and the related worksheets, documents and information and any additional documents or information requested by any Director related to the topics included in the agenda.
- Ensure that the Directors comply with the procedures approved by the Board.
- Coordinate between the Directors.
- Provide assistance and advice to the Directors.
- Submit the draft minutes to the Directors for them to provide their opinions thereon before signing.
- Ensure that the Directors receive, fully and promptly, a copy of the minutes of the Board's meetings as well as the information and documents related to the Company.
- Retain the reports submitted to and prepared by the Board of Directors.

5.3 Senior Executives

5.3.1 Overview of the Company's Management

The Executive Management consists of qualified and experienced members with the necessary knowledge and experience to manage the Company's business in accordance with the Board of Directors' objectives and directives. The Company has been successful in retaining its senior management team and in developing the capabilities of qualified employees and promoting them to senior positions. The table below shows the names and details of the Senior Executives, as well as their ownership percentages in the Company as at the date of this Prospectus.

Table (5.11): Details of Senior Executives

Name	Position	Nationality	Age	Date of Appointment to the Position	No. of Shares Owned	
					Pre-Offering	Post-Offering
Mohammed Berki Sattam Al-Zuabi	CEO	Saudi	52 years	01/10/2020G	-	-
Jamal Abdul Rahman Mohammed Omar	Vice President of Operations and Maintenance	Saudi	54 years	01/01/2017G	-	-
Sultan Turki Nahar Al Rahili	Vice President of Engineering and Projects	Saudi	54 years	01/01/2017G	-	-
Muhammed Abdulhamid Ibrahim Al-Mulhim	Vice President of Finance	Saudi	40 years	12/04/2021G	-	-
Mohammed Asmaai Abdel Raouf Mandili	Executive General Manager of the Jeddah Project	Saudi	51 years	01/04/2019G	-	-
Ahmad Mohamed Mahmoud Al Shanqiti	General Manager of Corporate Strategy	Saudi	45 years	01/10/2019G	-	-
Fahad Mehjea Suleiman Al-Anzi	General Manager of Environment, Health, Safety and Industrial Security	Saudi	46 years	01/01/2018G	-	-
Bandar Ahmed Mohammed bin Obaid	General Manager of Legal and Corporate Governance	Saudi	43 years	01/08/2021G	-	-
Fahad Abdullah Muffareh Al Shammari	General Manager of Supply Chain	Saudi	54 years	01/06/2017G	-	-
Mosad Saleh Saad Al-Moaily	General Manager of Information Technology	Saudi	44 years	01/07/2021G	-	-
Ahmed Khleawi Yaqoub Al-Khleawi	General Manager of Human Resources and Services	Saudi	42 years	01/10/2019G	-	-
Bilal Arshad Muhammad Arshad	Manager of Internal Audit	Pakistani	40 years	01/09/2019G	-	-

Source: The Company

5.3.2 Summary of the Biographies of the Company's Senior Executives

Table (5.12): Summary Biography of Mohammed Berki Sattam Al-Zuabi - CEO

Name	Mohammed Berki Sattam Al-Zuabi
Age	52 years
Nationality	Saudi
Current Position	CEO
Academic Qualifications	• Master's Degree in Sustainable Electrical Energy, Georgia Institute of Technology, USA, 2016G. • Master's Degree in Construction Engineering and Management, King Fahd University of Petroleum and Minerals, KSA, 1999G. • Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals, KSA, in 1993G.
Other Current Positions	• Chairman, MASA Services Company for Operation and Maintenance, a Saudi limited liability company, operating in the field of operation and maintenance, from 2020G to present. • Chairman, Jubail Water and Power Company, a Saudi closed joint stock company, operating in the field of water and energy, from 2020G to present. • Chairman, Jeddah Althaniya Water Company, a Saudi closed joint stock company, operating in the field of water, from 2020G to present.
Previous Positions	• Director, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2018G to 2020G. • Member of the Audit Committee, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2018G to 2020G. • Member of the Executive Committee, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2018G to 2020G. • Mohammed Berki Sattam Al-Zuabi held a number of positions in the Saudi Arabian Oil Company (Saudi Aramco), a Saudi listed joint stock company, operating in the field of energy, from 1993G to 2020G, he rose through the ranks from Electrical Engineer to Director of Energy Operations for the Northern Region.

Source: The Company

Table (5.13): Summary Biography of Jamal Abdul Rahman Mohammed Omar - Vice President of Operations and Maintenance

Name	Jamal Abdul Rahman Mohammed Omar
Age	54 years
Nationality	Saudi
Current Position	Vice President of Operations and Maintenance
Academic Qualifications	• Executive Program for Strategic Negotiation certificate in Negotiation and Influence, Stanford University, USA, 2017G. • Public Administration Program certificate in Executive Management, Harvard University, USA, 2012G. • Master's Degree in Electrical Engineering and Control, Union University, USA, 1996G. • Program for Electrical and Energy Systems certificate (PSEC), General Electric Company, USA, 1995G. • Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals, KSA, 1991G.
Other Current Positions	• Non-executive Board member, MASA Services Company for Operation and Maintenance, a Saudi limited liability company operating in the field of operation and maintenance, from 2022G to present. • Non-executive Board member, Jeddah Althaniya Operation and Maintenance Company, a Saudi limited liability company operating in the field of operation and maintenance, from 2020G to present. • Non-executive Board member, Jubail and Yanbu District Cooling Company, a Saudi limited liability company operating in the field of district cooling, from 2020G to present.
Previous Positions	• General Manager for Operation and Maintenance in Yanbu 2 Project, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2015G to 2016G. • General Manager of Strategic Planning, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2009G to 2015G. • Head of Business Development, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2008G to 2009G. • Head of Facilities Planning, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2004G to 2008G. • Senior Electrical and Instrumentation Engineer, Royal Commission for Jubail and Yanbu, a governmental entity, operating in the field of management and development of Yanbu and Jubail Industrial Cities, from 1999G to 2003G.

Source: The Company

Table (5.14): Summary Biography of Sultan Turki Nahar Al Rahili - Vice President of Engineering and Projects

Name	Sultan Turki Nahar Al Rahili
Age	54 years
Nationality	Saudi
Current Position	Vice President of Engineering and Projects
Academic Qualifications	• Bachelor's Degree in Mechanical Engineering, King Fahd University of Petroleum and Minerals, KSA, 1992G.
Other Current Positions	• Vice President and Director, Jeddah Althaniya Water Company, a Saudi closed joint stock company, operating in the field of water, from 2019G to present. • Director, MASA Services Company for Operation and Maintenance, a Saudi limited liability company, operating in the field of operation and maintenance, from 2017G to present.
Previous Positions	• Director, Marafiq Water and Power Supply Company (Tawreed), a Saudi limited liability company, operating in the field of water and energy, from 2015G to 2020G. • General Manager of Yanbu 2, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2013G to 2016G. • General Manager of Technical Affairs, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2010G to 2012G. • Project Manager, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2003G to 2009G. • Head of Engineering, Power and Water Plant, Royal Commission for Jubail and Yanbu, a governmental entity, operating in the field of management and development of Yanbu and Jubail Industrial Cities, from 2000G to 2002G.

Source: The Company

Table (5.15): Summary Biography of Muhammed Abdulhamid Ibrahim Al-Mulhim - Vice President of Finance

Name	Muhammed Abdulhamid Ibrahim Al-Mulhim
Current Position	Vice President of Finance
Biography	To view the biography of Muhammed Abdulhamid Ibrahim Al-Mulhim, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.

Source: The Company

Table (5.16): Summary Biography of Mohammed Asmaai Abdel Raouf Mandili - Executive General Manager of the Jeddah Project

Name	Mohammed Asmaai Abdel Raouf Mandili
Age	51 years
Nationality	Saudi
Current Position	Executive General Manager of the Jeddah Project
Academic Qualifications	• Master's Degree in Engineering, Union University, USA, 1999G. • Bachelor's Degree in Mechanical Engineering, King Abdulaziz University, KSA, 1994G.
Other Current Positions	• CEO, Jeddah Althaniya Water Company, a Saudi closed joint stock company, operating in the field of water, from 2019G to present. • Executive General Manager for Jeddah Project, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2019G to present.

Previous Positions	• General Manager of Operation and Maintenance, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2017G to 2019G. • Head of Technical Services, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2014G to 2017G. • Head of Customer Relations, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2008G to 2014G.

Source: The Company

Table (5.17): Summary Biography of Ahmad Mohamed Mahmoud Al Shanqiti - General Manager of Corporate Strategy

Name	Ahmad Mohamed Mahmoud Al Shanqiti
Age	45 years
Nationality	Saudi
Current Position	General Manager of Corporate Strategy
Academic Qualifications	• Bachelor's Degree in Applied Mechanical Engineering, King Fahd University of Petroleum and Minerals, KSA, 1999G.
Other Current Positions	• Non-executive Director, MASA Services Company for Operation and Maintenance, a Saudi limited liability company, operating in the field of operation and maintenance, from 2021G to present. • Secretary of the Executive and Risk Committee, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2021G to present. • General Manager of Strategic Strategy, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2020G to present. • Non-executive Director, Jeddah Althaniya Water Company, a Saudi closed joint stock company, operating in the field of water, from 2019G to present. • Non-executive Director, Jubail and Yanbu District Cooling Company, a Saudi limited liability company, operating in the field of district cooling, from 2019G to present.
Previous Positions	• General Manager of Business Development, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2019G to 2020G. • Manager of Business Development, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2014G to 2019G. • Manager of Gas Distribution, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2009G to 2014G. • Manager of Business Development, ACWA Power Co., a Saudi listed joint stock company, operating in the field of water and energy, from 2008G to 2009G.

Source: The Company

Table (5.18): Summary Biography of Fahad Mehjea Suleiman Al-Anzi - General Manager of Environment, Health, Safety and Industrial Security

Name	Fahad Mehjea Suleiman Al-Anzi
Age	46 years
Nationality	Saudi
Current Position	• General Manager of Environment, Health, Safety and Industrial Security
Academic Qualifications	• Master's degree in Executive Business Administration, King Fahd University of Petroleum and Minerals, KSA, 2014G. • Bachelor's Degree in Fire Protection and Safety Engineering Technology, Oklahoma State University, USA, 2002G.
Other Current Positions	None

Previous Positions	• General Manager of Business Planning and Performance, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2016G to 2017G. • General Manager of Effective Regulatory Affairs, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2014G to 2016G. • General Manager of Industrial Security, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2010G to 2014G.

Source: The Company

Table (5.19): Summary Biography of Bandar Ahmed Mohammed bin Obaid - General Manager of Legal and Corporate Governance

Name	Bandar Ahmed Mohammed bin Obaid
Age	43 years
Nationality	Saudi
Current Position	General Manager of Legal and Corporate Governance
Academic Qualifications	• Master's Degree in Law, Valparaiso University, USA, 2008G. • Bachelor's Degree in Law, King Saud University, KSA, 2002G.
Other Current Positions	None
Previous Positions	• General Director of Legal and Judicial Department, General Authority for Awqaf, a governmental authority, operating in the field of endowments, from 2020G to 2021G. • Executive Director of Legal Department, AlJomaih Automotive Company, a Saudi limited liability company, operating in the field of automobiles, from 2016G to 2019G. • General Manager of Legal Department, STC Channels, a Saudi limited liability company, operating in the field of telecommunications, from 2013G to 2016G. • General Manager of the Litigation Department, Naji Law Firm, a professional legal establishment licensed by the Saudi Bar Association, operating in the field of law and legal counsel, from 2011G to 2013G. • Senior Legal Specialist, the National Water Company, a Saudi joint stock company, operating in the field of water and wastewater, from 2009G to 2011G.

Source: The Company

Table (5.20): Summary Biography of Fahad Abdullah Muffareh Al Shammari - General Manager of Supply Chain

Name	Fahad Abdullah Muffareh Al Shammari
Age	54 years
Nationality	Saudi
Current Position	General Manager of Supply Chain
Academic Qualifications	• Bachelor's Degree in Chemical Engineering, King Fahd University of Petroleum and Minerals, KSA, 1993G.
Other Current Positions	• Executive General Manager, Marafiq Water and Power Supply Company (Tawreed), a Saudi limited liability company, operating in the field of water and energy, from 2018G to present. • General Manager of Supply Chains, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2017G to present. • Non-executive Director, Marafiq Insurance Limited, a British limited liability company, operating in the field of insurance, from 2017G to present.

Previous Positions	• Non-executive Director, Marafiq Water and Power Supply Company (Tawreed), a Saudi limited liability company, operating in the field of water and energy, from 2015G to 2020G. • General Manager of Human Resources, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2017G to 2019G. • General Manager of Environment, Health, Safety and Industrial Security, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2016G to 2017G. • Manager of large-scale seawater reverse osmosis projects and reverse osmosis desalination plant at Sadara Complex, a major water supply facilities project, Sadara, a limited liability company operating in the field of chemicals, from 2015G to 2016G. • Manager of Operation and Maintenance Support, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2012G to 2014G. • Manager of Maintenance for Jubail Utility, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2009G to 2011G.

Source: The Company

Table (5.21): Summary Biography of Mosab Saleh Saad Al-Moaily - General Manager of Information Technology

Name	Mosab Saleh Saad Al-Moaily
Age	44 years
Nationality	Saudi
Current Position	General Manager of Information Technology
Academic Qualifications	• Bachelor's Degree in Computer Science, Weber State University, USA, 2003G.
Other Current Positions	None
Previous Positions	• General Manager of Information Technology, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2014G to 2021G. • Manager of Strategic Planning and Performance Evaluation, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2011G to 2014G. • SAP SEM Consultant, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2005G to 2011G. • SAP SEM Consultant, Hewlett-Packard (HP), a limited liability company, operating in the field of technology, from 2003G to 2005G.

Source: The Company

Table (5.22): Summary Biography of Ahmed Khleawi Yaqoub Al–Khleawi - General Manager of Human Resources and Services

Name	Ahmed Khleawi Yaqoub Al-Khleawi
Age	43 years
Nationality	Saudi
Current Position	General Manager of Human Resources and Services
Academic Qualifications	• Bachelor's Degree in Networking and Communications, Middle Tennessee State University, USA, 2002G.
Other Current Positions	• Member of the Remuneration and Nomination Committee, MASA Services Company for Operation and Maintenance (MaSa), a Saudi limited liability company, operating in the field of operation and maintenance, from 2022G to present. • Secretary of the Remuneration and Nomination Committee, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2021G to present. • Director, National Power Academy, a government authority, operating in the field of training, from 2020G to present.

Previous Positions	• Manager of Human Capital Development, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2016G to 2019G. • Office Manger to the CEO, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2014G to 2016G. • Development and Improvement Consultant, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2012G to 2014G. • Development and Improvement Specialist, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2010G to 2012G. • Information Technology Specialist, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2005G to 2010G.

Source: The Company

Table (5.23): Summary Biography of Bilal Arshad –Muhammad Arshad - Manager of Internal Audit

Name	Bilal Arshad Muhammad Arshad
Age	40 years
Nationality	Pakistani
Current Position	Manager of Internal Audit
Academic Qualifications	• Master's Degree in Commerce (Accounting and Finance), Higher Education Commission, Pakistan, 2014G. • Certified Accountant in International Financial Reporting Standards, Auditing and Business Analysis, Association of Chartered Accountants, UK, 2008G. • Certified Accounting Technician in International Financial Reporting Standards, Audit and Business Analysis, Association of Chartered Certified Accountants, UK, 2002G.
Other Current Positions	• Head of Internal Audit and Secretary of the Audit Committee, Power and Water Utility Company for Jubail and Yanbu (Marafiq), a Saudi joint stock company, operating in the field of water and energy, from 2019G to present.
Previous Positions	• Head of Internal Audit and Secretary of the Audit Committee, Jubail Energy Services Company (JESCO), a Saudi limited joint stock company, operating in the field of steel, from 2017G to 2019G. • Senior Internal Auditor, Arabian Pipes Company, a Saudi joint stock company, operating in the field of steel, from 2014G to 2016G. • Manager of Internal Audit, Punjab Beverages Company, a Pakistani Limited joint stock company, operating in the field of beverage industry, from 2012G to 2014G. • Senior Assistant, Ernst & Young, a British limited joint stock company, operating in the field of audit and financial services, from 2008G to 2012G.

Source: The Company

5.4 Declarations by Directors, Senior Executives and Board Secretary

The Directors, Senior Executives and Board Secretary declare that:

1- No bankrupt or bankruptcy proceedings has been declared, at any time, against them.

2- No insolvency has been declared in the previous five years against a company in which any of the members of the Board of Directors, Senior Executives or the Board Secretary were appointed by the insolvent company to a managerial or supervisory position.

3- Except as provided in Section 5.6.2 ("**Interests of the Directors, Senior Executives and the Board Secretary in the shares and debt instruments of the Company and its Subsidiaries**") of this Prospectus, neither the members of the Board of Directors, nor the proposed directors, the Senior Executives, the Secretary or any of their relatives directly or indirectly hold shares or debt instruments or have an interest of any kind in the Company or any of the Subsidiaries or any interest in any matters that may have an impact on the Company's operations.

5.5 Remuneration and Compensation of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of the Directors and all benefits they receive shall be set pursuant to the Companies Law and the guidelines set by the competent authorities, whether these benefits are certain amounts, attendance allowances, expense allowances, in-kind benefits or a percentage of profits (not exceeding 10% of the net annual profits). Two or more of these benefits may be combined up to, but not exceeding, those provided in the Companies Law and the relevant regulations, and may be of varying amounts and in light of a policy issued by the Remuneration and Compensation Committee with the approval of the Board and the General Assembly of the Company. The Board's annual report to the General Assembly must include a comprehensive statement of all remuneration, expense allowances and other benefits received by the Board Directors during the financial year. It shall also include a statement of the amounts paid to the Directors as employees or managers or amounts paid to them for technical, administrative or advisory works. In addition, the report shall include a statement of the number of Board meetings as well as the number of meetings attended by each Director from the date of the last meeting of the General Assembly.

The table below shows the total remuneration paid by the Company and its affiliates to the Directors and the top five Senior Executives. These remunerations include salaries, benefits and allowances for the financial years ended 31 December 2019G, 2020G, and 2021G.

Table (5.24): Remuneration of the Directors and the Top Five Senior Executives Including the CEO and CFO

	Financial Year Ended 31 December 2019G	Financial Year Ended 31 December 2020G	Financial Year Ended 31 December 2021G
Directors	4,331,327.08	4,173,260	4,424,400
Senior Executives	**8,910,945**	**8,860,932**	**8,033,312**

Source: The Company

None of the Directors receive any in-kind benefits. The Senior Executives, the Board Secretary, and the CEO, on the other hand, are provided with medical insurance and a driver. The Vice President of Finance and the remaining Senior Executives receive medical insurance.

The Directors, Senior Executives and Board Secretary are prohibited from voting on decisions relating to their own remuneration, and they are prohibited from borrowing from the Company or voting on a contract or arrangement in which they have an interest.

5.6 Conflicts of Interest

The Company's Bylaws and its internal regulations and policies do not grant Directors the power to vote on any contract, business or offer in which they have a direct or indirect interest. This is in accordance with Article 71 of the Companies Law, which provides that a Director may not have any direct or indirect interest in the transactions and contracts of the Company except with the authorization of the General Assembly. Additionally, Article 72 of the Companies Law prohibits Directors from engaging in any activity that competes with the Company or its activities without authorization from the General Assembly and in accordance with the controls set by the competent authority.

Pursuant to the aforementioned provisions, Directors must disclose and notify the Board of any personal interest they may have in the transactions or contracts to be entered into by the Company or if they have an interest that competes with the Company. The Chairman of the Board of Directors is obliged to notify the Ordinary General Assembly of the transactions and/or contracts in which a Director has a direct or indirect interest, and such notification shall be accompanied by a special report from the Company's Auditor.

Directors may not participate in deliberations or vote on resolutions related to transactions and/or contracts entered into for the Company in which they have a direct or indirect interest. Also, Directors engaging in any activity that competes with, or may compete with, the Company may not participate in deliberations or vote on resolutions approving such interest, whether in Board or General Assembly meetings.

The Company has developed and implemented a clear written policy to address conflicts of interest and dealings with Related Parties which accounts for the nature of its size and operations and its internal organization, and to ensure that there is a clear mechanism to identify conflicts of interest and competing interest cases and set out the cases in which the approval of the General Assembly must be sought. Such policy sets out a stringent process that aims to comply with the general principles under the Companies Law, the Corporate Governance Regulations, the Regulatory Rules and Procedures Relating to Listed Joint Stock Companies and other relevant requirements. The Board approved the policy on 24/01/1443H (corresponding to 25/05/2022G), and it was ratified by the General Assembly in its meeting held on 03/11/1443H (corresponding to 02/06/2022G).

5.6.1 Interests of Directors, Senior Executives and the Secretary in contracts and agreements entered into by the Company and its Subsidiaries[17]

As at the date of this Prospectus, neither the Senior Executives nor the Secretary have an interest in any of the contracts and agreements entered into by the Company. However, some of the Company's Directors have an interest in a number of contracts and agreements entered into by the Company, which are set out below.

5.6.1.1 Contracts and agreements entered into by the Company

A- Contracts and agreements entered into by the Company with the Saudi Arabian Oil Company (Saudi Aramco)

The Company entered into a number of contracts and agreements with the Saudi Arabian Oil Company (Saudi Aramco) (for more information about these agreements, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus). It should be noted that the Director Mr. Musaad Ahmed Abdullah Al-Sayouhi has an indirect interest in the contracts and agreements concluded between the Company and Saudi Arabian Oil Company (Saudi Aramco) in his capacity as an employee of Saudi Arabian Oil Company (Saudi Aramco), noting that there are no preferential conditions in any of these agreements, which include the following:

1- Sales Gas Supply Agreement in relation to the sales gas supply to the existing Marafiq plant in Yanbu Industrial City for the production of water and electricity between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 10/07/2010G, noting that the value of this agreement amounted to SAR 147,767,386 in the financial year ended 31 December 2021G.

2- The agreement for the use of (Yanbu) public facilities between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 01/01/2011G and its amendments, noting that the value of this agreement amounted to SAR 118,728,462 in the financial year ended 31 December 2021G.

3- The agreement related to sales gas supply to the secondary distribution network of Marafiq (for light Industries in Yanbu Industrial City) between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 02/04/2011G, noting that the value of this agreement amounted to SAR 44,417,359 in the financial year ended 31 December 2021G.

4- The agreement related to fuel oil supply to Marafiq's plant in Yanbu Industrial City for the production of water and electricity, between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 01/01/2013G, noting that the total sum of the payments made by the Company under this agreement and the fuel oil supply agreement entered into on 01/04/1435H (corresponding to 01/02/2014G) amounted to SAR 58,908,255 in the financial year ended 31 December 2021G.

5- The fuel supply agreement for the supply of liquid fuel to electricity generation units (STC 5 & 6) in Yanbu Industrial City, between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 01/02/2014G, noting that the total value of the payments made by the Company under this agreement and the fuel oil supply agreement concluded on 19/02/1434H (corresponding to 01/01/2013G) amounted to SAR 58,908,255 in the financial year ended 31 December 2021G.

6- The agreement for the use of public facilities (Wasit) between the Company and Saudi Arabian Oil Company (Saudi Aramco) on 17/08/2014G and its amendments, noting that the value of this agreement amounted to SAR 53,099,739 in the financial year ended 31 December 2021G.

7- The agreement related to the liquid fuel supply to the units of electricity and water generation plant in Yanbu 2 (21, 22 and 23) in Yanbu Industrial City, between the Company and the Saudi Arabian Oil Company (Saudi Aramco) on 07/06/2016G, noting that the value of this agreement amounted to SAR 241,089,962 in the financial year ended 31 December 2021G.

8- The agreement for the use of public facilities between the Company and Saudi Aramco Mobil Refinery Company Limited (SAMREF) on 31/08/2008G, noting that the value of this agreement amounted to SAR 163,661,620 annually in 2021G.

9- The operation and maintenance agreement for the light industrial zone meter facility in Yanbu between the Company and the Saudi Arabian Oil Company on 02 April 2011G, noting that the value of this agreement amounted to SAR 619,965 in the financial year ended 31 December 2021G.

10- The operation and maintenance agreement for the custody transfer meter facility to measure sales gas for the Company's plant in Yanbu, between the Company and the Saudi Arabian Oil Company on 10 July 2010G, noting that the value of this agreement amounted to SAR 310,615 in the financial year ended 31 December 2021G.

11- The operation and maintenance agreement for the custody meter facilities for measuring Arab Light oil for the Company's pipelines in Yanbu 1 and 2, between the Company and the Saudi Arabian Oil Company on 15/06/2016G, noting that the value of this agreement amounted to SAR 292,700 in 2017G. No payments were made under this agreement in 2021G.

[17] Note: For the purposes of this section, indirect interest includes shares owned indirectly by Directors, Senior Executives or the Secretary through companies or persons controlled by the relevant individual.

Accordingly, the provisions of Article 71 of the Companies Law apply to the agreements, which require obtaining approval from the Company's General Assembly. It should be noted that the Company's Extraordinary General Assembly unanimously approved these agreements at its meeting held on 02/02/1444H (corresponding to 29/08/2022G).

B- Contracts and agreements entered into by the Company with the Royal Commission for Jubail and Yanbu.

The Company entered into a number of lease agreements with the Royal Commission (for more information about these agreements, please refer to Section 12.6.4 ("**Material Agreements with Related Parties**") of this Prospectus). It should be noted that the Director Mr. Khalid Mohammed Abdulrahman Al-Salem has an indirect interest in the contracts and agreements concluded between the Company and the Royal Commission in his capacity as a representative of the Royal Commission on the Company's Board, noting that there are no preferential terms in any of the agreements. Accordingly, the provisions of Article 71 of the Companies Law apply to these agreements, which require obtaining approval from the Company's General Assembly. It should be noted that the Company's Extraordinary General Assembly unanimously approved these agreements at its meeting held on 02/02/1444H (corresponding to 29/08/2022G).

5.6.1.2 Contracts and agreements entered into with Subsidiaries

As at the date of this Prospectus, neither the Directors, Senior Executives nor the Secretary have any interest in any of the contracts and agreements entered into with Subsidiaries.

5.6.2 Interests of the Directors, Senior Executives and the Board Secretary in the shares and debt instruments of the Company and its Subsidiaries

The Directors, Senior Executives and the Board Secretary do not have any direct or indirect interest in the shares or debt instruments of the Company or its Subsidiaries.

5.6.3 Business of Directors that competes with the Company

As at the date of this Prospectus, the Directors do not conduct any business that competes with or is similar to the business of the Company or its Subsidiaries, or any business that competes with the activities of the Company or its Subsidiaries. However, it should be noted that the Director Mr. Musaad Ahmed Abdullah Al-Sayouhi, as a representative member of Saudi Aramco Power Company (a direct shareholder in the Company owning 24.81% of the Company's capital pre-Offering) in the Company's Board of Directors, is currently working as an employee (Auditor) for Saudi Aramco (an indirect shareholder in the Company with a total ownership percentage of 42.18% of its capital), which is engaged in business through its subsidiaries that may compete with the Company and its Subsidiaries. However, this relationship is not considered engaging in a business that competes with the Company, since, prior to the Offering, Saudi Aramco is considered one of the Company's Affiliates, in accordance with Article 47 of the CGRs (which excludes members who are directors or who occupy managerial positions in another company that competes with the Company from the scope of engaging in businesses that could compete with the Company if said other company is an affiliate of the Company). Furthermore, the position of the Director in Saudi Aramco is not a managerial position. The Director Mr. Musaad Ahmed Abdullah Al-Sayouhi is a representative of Saudi Aramco Power Company, which owns a controlling interest in some companies that may compete with Marafiq. However, we do not view this is as an activity that could compete with the Company, given that Article 47 of the CGRs does not include representing a shareholder that engages in an activity that could compete with the Company or with one of the activities that it indirectly engages in. Furthermore, the relevant Director does not have any personal interest in the related subsidiaries of Saudi Aramco Power Company. However, the Board will review this relationship with said Director after the Offering to determine the applicability of the provisions of Article 72 of the Companies Law and comply with its procedures, in addition to the relevant articles in the CGRs, and, if necessary, the required approvals shall be obtained. For more information on the risks associated with this relationship, please refer to Section 2.1.25 ("**Risks related to competition of Directors and Executives with the Company's business or activities**") of this Prospectus.

Based on the above, the Board of Directors declares and confirms that each Director shall:

1- Comply with Articles 71 and 72 of the Companies Law and Articles 44 and 46 of the Corporate Governance Regulations.
2- Refrain from voting on resolutions of the Board of Directors or the General Assembly relating to business, contracts or transactions entered into with Related Parties that are carried out for the account of the Company if they have a direct or indirect interest in such business and contracts or have a direct or indirect competing interest therein.
3- Not participate in any business that would compete, or is competing, with the Company or any of its activities, without the authorization of the Ordinary General Assembly pursuant to Article 72 of the Companies Law.
4- Ensure that all future business and contracts, including those in which a Director has an interest, shall be concluded in accordance with the provisions of the Companies Law, the CGRs, and the regulatory controls and procedures issued in implementation of the Companies Law on listed joint stock companies and the relevant laws, regulations and instructions, and they shall not include preferential terms for a Director and they shall be entered into on terms and conditions similar to all ordinary transactions and contracts made with others.

5.7 Contracts entered into with the Directors and Senior Executives

5.7.1 Contracts entered into with the Directors

As at the date of this Prospectus, no contracts have been entered into between the Company and the Directors.

5.7.2 Contracts entered into with Senior Executives

The Company has entered into employment contracts with all of the Company's Senior Executives. These contracts set out their salaries and bonuses in accordance with their qualifications and experience. These contracts provide a number of benefits, such as a monthly transportation and/or housing allowance. These contracts are renewable and subject to the Labour Law in KSA. The table below shows a brief overview of the employment contracts concluded with the Company's Senior Executives:

Table (5.25): Summary of the Employment Contracts Concluded with the CEO, CFO and Senior Executives

Name	Position	Date of Contract	Term of Contract
Mohammed Berki Sattam Al-Zuabi	CEO	07/11/1441H (corresponding to 28/06/2020G)	Indefinite
Jamal Abdul Rahman Mohammed Omar	Vice President, Operation and Maintenance	17/10/1423H (corresponding to 21/12/2002G)	Indefinite
Sultan Turki Nahar Al Rahili	Vice President, Projects and Engineering	17/10/1423H (corresponding to 21/12/2002G)	Indefinite
Muhammed Abdulhamid Ibrahim Al-Mulhim	Vice President, Finance	24/11/1439H (corresponding to 05/08/2018G)	Indefinite
Mohammed Asmaai Abdel Raouf Mandili	Executive GM, Jeddah Project	17/10/1423H (corresponding to 21/12/2002G)	Indefinite
Ahmad Mohammed Mahmoud Al Shanqiti	General Manager, Corporate Strategy	28/10/1430H (corresponding to 17/10/2009G)	Indefinite
Fahad Mehjea Suleiman Al-Anzi	General Manager, Environment, Health, Safety and Industrial Security	24/02/1426H (corresponding to 03/04/2005G)	Indefinite
Bandar Ahmed Mohammed bin Obaid	General Manager, Legal and Corporate Governance	22/12/1442H (corresponding to 01/08/2021G)	Indefinite
Fahad Abdullah Muffareh Al Shammari	General Manager, Supply Chain	01/08/1425H (corresponding to 15/09/2004G)	Indefinite
Musaab Saleh Saad Al-Maili	General Manager, Information Technology	13/10/1426H (corresponding to 15/11/2005G)	Indefinite
Ahmed Khleawi Yaqoub Al-Khleawi	General Manager, Human Resources and Services	17/03/1429H (corresponding to 25/03/2008G)	Indefinite
Bilal Arshad Muhammad Arshad	Manager, Internal Audit	02/01/1441H (corresponding to 01/08/2019G)	For two Gregorian years, renewable for another similar term or terms.

Source: The Company

5.8 Board Committees and Their Responsibilities

A number of committees emanate from the Company's Board that contribute to the effective performance of the Company's tasks, in addition to fulfilling the relevant statutory requirements. These committees consist of the Executive and Risk Management Committee, the Nomination and Remuneration Committee and the Audit Committee formed by the Company's General Assembly.

5.8.1 Audit Committee

Pursuant to Article 101 of the Companies Law, and in compliance with the Corporate Governance Regulations, the Audit Committee was formed by a resolution of the Extraordinary General Assembly dated 03/11/1443H (corresponding to 02/06/2022G), which also approved the revised charter of the Audit Committee.

The current Audit Committee consists of three non-executive Directors appointed by the Company's Board based on the recommendation of the Nomination and Remuneration Committee. In accordance with the Audit Committee's charter, the term of membership on the Committee shall be three (3) years, which may be extended for two additional similar terms, pursuant to the annual General Assembly approval. The Audit Committee monitors the Company's business and verifies the integrity and soundness of its reports, financial statements and internal control systems. The responsibilities of the Audit Committee include the following:

5.8.1.1 Financial reporting

The Committee is responsible for monitoring and ensuring the integrity and soundness of the Company's financial statements and reviewing any financial information contained in other documents. The Committee, as part of its regular duties, also reviews the following matters:

- Examines the Company's initial and annual financial statements before presenting them to the Board and offering an opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Provides a technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model and strategy.
- Analyzes any important or non-familiar matters contained in the financial reports.
- Accurately investigates any issues raised by the Company's CFO or any person assuming the CFO's duties, the Company's compliance officer or Auditor.
- Examines the accounting estimates in respect of significant matters that are contained in the financial reports.
- Considers the Company's applicable accounting policies and provides opinions and recommendations to the Board of Directors thereon.

5.8.1.2 Internal audit

The Committee undertakes tasks related to internal audit, which include the following:

- Examining the Company's internal and financial control and risk management systems.
- Examining internal audit reports and monitoring the implementation of corrective measures in respect of the remarks made in such reports.
- Monitoring and supervising the performance and activities of the Company's internal auditor and Internal Audit Department, if any, to verify the availability of the necessary resources and their effectiveness in performing the duties and tasks assigned thereto. If the Company does not have an internal auditor, the Committee must submit its recommendation to the Board regarding the need to appoint one.
- Providing recommendations to the Board on the appointment of the manager of the Internal Audit Unit or Department or the internal auditor, and suggesting their remuneration.

5.8.1.3 Auditor

The Committee undertakes tasks related to Auditor, which include the following:

- Providing recommendations to the Board of Directors on the nomination and dismissal of Auditors, determining their fees and evaluating their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
- Verifying the independence, objectivity and fairness of the Auditor and the effectiveness of auditing activities, taking into account the relevant rules and standards.
- Examining the Auditor's action plan and works, verifying that no technical or administrative work was submitted outside the scope of the audit works and providing its opinions in this regard.
- Responding to inquiries of the Company's Auditor.
- Examining the Auditor's report and notes on the financial statements and following up on the actions taken with regard thereto.

5.8.1.4 Compliance

The Committee undertakes tasks related to ensuring compliance, which include the following:

- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
- Reviewing proposed Related Party contracts and transactions in relation to the Company, and providing its recommendations to the Board in connection therewith.
- Reporting to the Board any issues it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

Below is a list of the experience, qualifications and current and previous positions of each member of the Audit Committee:

Table (5.26): Members of the Audit Committee

Name	Position
Musaad Ahmed Abdullah Al-Sayouhi	Chairman - Non-independent/Non-executive
Soliman Abdulaziz Soliman Al-Hosain	Member - Non-independent[18]/ Non-executive
Amr Abdulaziz Abdullah Al-Jallal	Member - Independent/Non-executive
Bilal Arshad Muhammad Arshad	Committee Secretary, Manager of Internal Audit

Source: The Company

5.8.2 Summary Biographies of the Members of the Audit Committee

An overview of the experience, qualifications and current and previous positions of the Audit Committee is provided below.

Table (5.27): Summary Biography of Musaad Ahmed Abdullah Al-Sayouhi

Name	Musaad Ahmed Abdullah Al-Sayouhi
Age	40 years
Nationality	Saudi
Current Position	Chairman of the Audit Committee
Academic Qualifications	To view the biography of Musaad Ahmed Abdullah Al-Sayouhi, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and the Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.28): Summary Biography of Soliman Abdulaziz Soliman Al-Hosain

Name	Soliman Abdulaziz Soliman Al-Hosain
Age	61 years
Nationality	Saudi
Current Position	Member of the Audit Committee
Academic Qualifications	To view the biography of Soliman Abdulaziz Soliman Al-Hosain, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and the Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.29): Summary Biography of Amr Abdulaziz Abdullah Al-Jallal

Name	Amr Abdulaziz Abdullah Al-Jallal
Age	43 years
Nationality	Saudi
Current Position	Member of the Audit Committee
Academic Qualifications	To view the biography of Amr Abdulaziz Abdullah Al-Jallal, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

18 It should be noted that the Director Soliman Abdulaziz Soliman Al-Hosain is a non-independent member as at the date of this Prospectus because he is a board member of SABIC Agri-Nutrients Company, which is an affiliate of the Issuer, as per the provisions of Article 20(c)(5) of the Corporate Governance Regulations ("CGRs"). This is due to the indirect ownership by Saudi Arabian Oil Company (Saudi Aramco) of more than 30% in both SABIC Agri-Nutrients Company and Marafiq. It should also be noted that Aramco's total ownership in Marafiq's capital will fall below 30% after the Offering. Because SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will result in the provisions of Article 20(c)(5) of the CGRs to no longer apply. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain shall be changed to "independent" as of the date of the Listing, and the Company will be in compliance with the requirements of Paragraph (3) of Article 16 of the CGRs after the Offering.

Table (5.30): Summary Biography of Bilal Arshad Muhammad Arshad

Name	Bilal Arshad Muhammad Arshad
Age	40 years
Nationality	Pakistani
Current Position	Secretary of the Audit Committee
Academic Qualifications	To view the biography of Bilal Arshad Muhammed Arshad, please refer to Section 5.3.2 ("**Summary of the Biographies of the Company's Senior Executives**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

5.8.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee was restructured pursuant to Board of Directors Resolution No. 2/3/2022 dated 11/10/1443H (corresponding to 12/05/2022G). The Board approved the charter of the Nomination and Remuneration Committee on 24/10/1443H (corresponding to 25/05/2022G), which was approved by Extraordinary General Assembly during its meeting held on 03/11/1443H (corresponding to 02/06/2022G).

The current Nomination and Remuneration Committee consists of three non-executive Directors appointed by the Company's Board. Pursuant to the Nomination and Remuneration Committee's charter, the membership term on the Committee is three (3) years, and may be extended for two additional similar periods, provided that the majority of the Committee's members are independent and non-executive members. It should be noted that the Chairman of the Nomination and Remuneration Committee (Soliman Abdulaziz Soliman Al-Hosain) is a non-independent Director as at the date of this Prospectus. This violates Article 51(b) of the CGRs, which provides that the Chairman of the Nomination and Remuneration Committee must be an independent Director. Mr. Soliman is a director of SABIC Agri-Nutrients Company, which is an affiliate of the Issuer under the provisions of Article 20(c)(5) of the CGRs. This is due to the Saudi Arabian Oil Company's (Saudi Aramco) indirect ownership of more than 30% in both SABIC Agri-Nutrients Company and Marafiq. It should also be noted that Saudi Aramco's total ownership in Marafiq's capital will fall below 30% post-Offering. Therefore, SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will lead to the non-applicability of the provisions of Article 20(c)(5) of the CGRs. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain shall be changed to "**independent**" as of the date of the Listing, and the Company will be in compliance with the requirements of Article 51(b) of the CGRs post-Offering.

The Committee shall perform a number of tasks related to the Company, including the following:

- Propose clear policies and criteria for membership on the Board of Directors and the Executive Management.
- Make recommendations to the Board of Directors on the nomination and renomination of Directors in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of committing a crime involving dishonesty.
- Prepare a description of the skills and qualifications required for membership on the Board of Directors and for holding Executive Management positions.
- Determine the time a Director should devote to the Board of Directors' responsibilities.
- Evaluate the skills and experience required for candidates for the Board of Directors and make recommendations to the General Assembly in this regard.
- Evaluate the needs of the Company's Senior Management to continue to compete effectively in the market.
- Review on an annual basis the required skills or expertise for membership on the Board of Directors and for Executive Management positions.
- Review on an annual basis the budget allocated for the compensation and remuneration of Directors and Senior Management and make recommendations to the Board of Directors regarding making any changes to the Company's employee remuneration policies.
- Review the organizational structure of the Board and the Executive Management and make recommendations on changes that could be made.
- Make recommendations to the Board regarding the independence of the Directors and Board nominees.
- Verify the independence of the independent Directors on an annual basis, and that there is no conflict of interest if a Director serves on the board of another company.

- Develop job descriptions for executive and non-executive Directors, independent Directors and Senior Executives.
- Develop special procedures in the event that there is a Board or Senior Executive vacancy.
- Evaluate the strengths and weaknesses of the Board, and propose solutions to address them in line with the Company's interest.
- Prepare, disclose and ensure implementation of a clear policy for the remuneration of the Directors and Committees emanating from the Board and the Executive Management, and submit it to the Board for approval by the General Assembly, provided that such policy takes into account performance-related standards.
- Clarify the relationship between the remunerations granted and the applicable remuneration policy, and indicate any material deviation from such policy.
- Carry out periodic review of the remuneration policy and evaluate its effectiveness in terms of achieving its objectives.
- Determine the disclosure policy on the remuneration of the Company's Directors and members of Senior Management.
- Make recommendations to the Board of Directors regarding the proposed remuneration for Directors, Board committees and Senior Executives of the Company, and the policies related thereto, in accordance with the approved policy.
- Determine the total individual remuneration for each Director.
- Make recommendations to the Board of Directors regarding the number of Board committees, their responsibilities and the number of their members.
- Make recommendations to the Board of Directors regarding the policies for hiring, and maintaining competencies or termination.
- Submit an annual report to the Board of Directors, which includes the Committee's assessment of the Board's performance.
- Evaluate the performance of the Board of Directors on an annual basis and determine whether the Directors have enough time to carry out their duties.
- Make recommendations to the Board of Directors regarding replacement plans for Directors and advisors and criteria for selecting candidate Directors and advisors.
- Determine the terms of reference for the selection of Committee's advisors.
- Determine the terms of reference and responsibilities of the Committee, and review and update these conditions annually when necessary.

As at the date of this Prospectus, the Nomination and Remuneration Committee consists of the following members:

Table (5.31): Members of the Nomination and Remuneration Committee

Name	Position
Soliman Abdulaziz Soliman Al–Hosain	Chairman - Non-independent[19] /Non-executive
Khalid Mohammed Abdulrahman Al-Salem	Member - Non-independent/Non-executive
Suliman Khalid Abdulrahman Al-Mazroua	Member - Independent/Non-executive
Ahmed Khleawi Yaqoub Al-Khleawi	Committee Secretary, General Manager of Human Resources and Services

Source: The Company

5.8.4 Summary Biographies of the Members of the Nomination and Remuneration Committee

An overview of the experience, qualifications and current and previous positions of the Nomination and Remuneration Committee is provided below.

w It should be noted that the Director Soliman Abdulaziz Soliman Al-Hosain is a non-independent member as at the date of this Prospectus because he is a board member of SABIC Agri-Nutrients Company, which is an affiliate of the Issuer, as per the provisions of Article 20(c)(5) of the Corporate Governance Regulations ("CGRs"). This is due to the indirect ownership by Saudi Arabian Oil Company (Saudi Aramco) of more than 30% in both SABIC Agri-Nutrients Company and Marafiq. It should also be noted that Aramco's total ownership in Marafiq's capital will fall below 30% after the Offering. Because SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will result in the provisions of Article 20(c)(5) of the CGRs to no longer apply. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain shall be changed to "independent" as of the date of the Listing, and the Company will be in compliance with the requirements of Paragraph (3) of Article 16 of the CGRs after the Offering.

Table (5.32): Summary Biography of Soliman Abdulaziz Soliman Al-Hosain

Name	Soliman Abdulaziz Soliman Al-Hosain
Age	61 years
Nationality	Saudi
Current Position	Chairman of the Nomination and Remuneration Committee
Academic Qualifications	To view the biography of Soliman Abdulaziz Soliman Al-Hosain, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and the Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.33): Summary Biography of Khalid Mohammed Abdulrahman Al-Salem

Name	Khalid Mohammed Abdulrahman Al-Salem
Age	53 years
Nationality	Saudi
Current Position	Member of the Nomination and Remuneration Committee
Academic Qualifications	To view the biography of Khalid Mohammed Abdulrahman Al-Salem, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.34): Summary Biography of Suliman Khalid Abdulrahman Al-Mazroua

Name	Suliman Khalid Abdulrahman Al-Mazroua
Age	45 years
Nationality	Saudi
Current Position	Member of the Nomination and Remuneration Committee
Academic Qualifications	To view the biography of Suliman Khalid Abdulrahman Al-Mazroua, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.35): Summary Biography of Ahmed Khleawi Yaqoub Al-Khleawi

Name	Ahmed Khleawi Yaqoub Al-Khleawi
Age	42 years
Nationality	Saudi
Current Position	Secretary of the Nomination and Remuneration Committee
Academic Qualifications	To view the biography of Ahmed Khleawi Yaqoub Al-Khleawi, please refer to Section 5.3.2 ("**Summary of the Biographies of the Company's Senior Executives**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

5.8.5 Executive and Risk Management Committee

The Executive and Risk Management Committee was restructured pursuant to Board of Directors Resolution No. 2/3/2022 dated 11/10/1443H (corresponding to 12/05/2022G). The Board of Directors approved the charter of the committee on 24/10/1443H (corresponding to 25/05/2022G).

The Executive and Risk Management Committee consists of three non-executive Directors appointed by the Company's Board of Directors based on the recommendation of the Nomination and Remuneration Committee. The term of membership on the Committee is three (3) years, and may be extended for two additional similar terms. The Committee is competent to perform a number of tasks related to the Company, which generally include the following:

- Develop a comprehensive risk management strategy and policies in line with the nature and size of the Company's activities, ensure that they are implemented and review and update them based on the Company's internal and external variables.
- Determine and maintain an acceptable level of the Company's risk exposure, and ensure that the Company does not exceed it.
- Verify the feasibility of the Company's business continuity and that it successfully continues its activities, and identify the risks that threaten its continuity during the upcoming twelve months.
- Oversee the Company's risk management system and evaluate the effectiveness of the systems and mechanisms for identifying, measuring and monitoring the risks that the Company may be exposed to, to identify its shortcomings.
- Carry out periodic evaluation of the Company's ability to endure risks and risk exposure (for example, by conducting endurance tests).
- Prepare detailed reports on risk exposure and the proposed steps to manage such risks and submit them to the Board of Directors.
- Make recommendations to the Board of Directors on matters related to risk management.
- Ensure the availability of adequate resources and systems to manage risks.
- Review and make recommendations on the organizational structure of risk management prior to the Board of Directors approval.
- Ensure that risk management staff do not engage in activities that may expose the Company to risks.
- Ensure that risk management staff understand the risks surrounding the Company and raise awareness of the risk culture.
- Review issues raised by the Audit Committee that may affect the Company's risk management.
- Review the Company's five-year business plans, operational plans and capital expenditure programs.
- Review the Company's investment plans and policies in relation to its financial assets.
- Review the Company's plans and policies regarding environmental management.
- Review the Company's plans and policies regarding health and safety management.
- Monitor the Company's compliance with licensing restrictions related to the production of potable water, treated water, Sewage, industrial wastewater, seawater cooling and electricity services in Jubail and Yanbu Industrial Cities in accordance with the Company's Bylaws.
- Establish, maintain, review and amend technical and performance standards for the water, Sewage, seawater cooling and electricity sectors, and ensure that the Company complies with such standards.
- Review and amend the Company's standards regarding customer care.
- Regulate sale prices of potable water, treated water, Sewage, seawater cooling and electricity services for the Company's customers.
- Approve, amend, monitor and enforce the terms and conditions for the supply of potable water, treated water, Sewage, seawater cooling and electricity for the Company's customers.
- Issue regulations and decisions as set out in the Company's Bylaws.
- Verify the quality of the services provided by the Company.
- Verify that all reasonable requests for the Company's services are met.
- Review the prices and tariffs that the Company is subject to on a regular basis.

As at the date of this Prospectus, the Executive and Risk Management Committee consists of the following members:

Table (5.36): Members of the Executive and Risk Management Committee

Name	Position
Ahmed Mohammed Ahmed Al-Jabr	Chairman - Non-independent/Non-executive
Suliman Khalid Abdulrahman Al-Mazroua	Member - Independent/Non-executive
Badr Abdullah Saad Al-Ghariry	Member - Non-independent/Non-executive
Ahmad Mohammed Mahmoud Al Shanqiti	Committee Secretary, General Manager of Corporate Strategy

Source: The Company

5.8.5.1 Summary Biographies of the Members of the Executive and Risk Management Committee

An overview of the experience, qualifications and current and previous positions of the Executive and Risk Management Committee is provided below.

Table (5.37): Summary Biography of Ahmed Mohammed Ahmed Al-Jabr

Name	Ahmed Mohammed Ahmed Al-Jabr
Age	58 years
Nationality	Saudi
Current Position	Chairman of the Executive and Risk Management Committee
Academic Qualifications	To view the biography of Ahmed Mohammed Ahmed Al-Jabr, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.38): Summary Biography of Suliman Khalid Abdulrahman Al-Mazroua

Name	Suliman Khalid Abdulrahman Al-Mazroua
Age	45 years
Nationality	Saudi
Current Position	Member of the Executive and Risk Management Committee
Academic Qualifications	To view the biography of Suliman Khalid Abdulrahman Al-Mazroua, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.39): Summary Biography of Badr Abdullah Saad Al-Ghariry

Name	Badr Abdullah Saad Al-Ghariry
Age	30 years
Nationality	Saudi
Current Position	Member of the Executive and Risk Management Committee
Academic Qualifications	To view the biography of Badr Abdullah Saad Al-Ghariry, please refer to Section 5.2.2 ("**Summary Biographies of the Company's Directors and Secretary**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

Table (5.40): Summary Biography of Ahmad Mohamed Mahmoud Al Shanqiti

Name	Ahmad Mohamed Mahmoud Al Shanqiti
Age	45 years
Nationality	Saudi
Current Position	Secretary of the Audit Committee
Academic Qualifications	To view the biography of Ahmad Mohamed Mahmoud Al Shanqiti, please refer to Section 5.3.2 ("**Summary of the Biographies of the Company's Senior Executives**") of this Prospectus.
Other Current Positions	
Previous Positions	

Source: The Company

5.9 Corporate Governance

5.9.1 Overview

The main sources of the Company's corporate governance are the CGRs issued by the CMA, certain provisions of the Companies Law and the best corporate governance practices in KSA.

As at the date of this Prospectus, the Company's Board of Directors consists of seven (7) members appointed by the Ordinary General Assembly on 21 April 2022G. The Companies Law, the CGRs, the Company's Bylaws and the Company's corporate governance rules define the duties and responsibilities of the Board of Directors. The membership term of the Company's Board of Directors is a maximum of three (3) years for each term. Moreover, all members of the Company's Board of Directors are non-executive Directors.

As at the date of this Prospectus, the Board of Directors includes two (2) independent Directors only, which does not comply with the requirements of Paragraph 3 of Article 16 of the CGRs, which stipulates that the number of independent board members should not be less than two members or one-third of the Directors, whichever is more. Given that the current Board of Directors consists of seven (7) members, and pursuant to the requirements and criteria set forth in the CGRs, the Company must have at least three (3) independent members on the Board of Directors upon Listing. However, it should be noted that, as per the provisions of Article 20(c)(5) of the CGRs, the Director Mr. Soliman Abdulaziz Soliman Al-Hosain is non-independent due to his board membership in SABIC Agri-Nutrients Company, which is an affiliate of the Issuer. This is due to the indirect ownership by Saudi Arabian Oil Company (Saudi Aramco) of more than 30% in both SABIC Agri-Nutrients and Marafiq. It should also be noted that Saudi Aramco's ownership in Marafiq's capital will decrease to less than 30% after the Offering. Therefore, SABIC Agri-Nutrients Company will no longer be considered an affiliate of the Issuer, this will lead to the non- applicability of the provisions of Article 20(c)(5) of the CGRs. Therefore, the membership status of the Director Mr. Soliman Abdulaziz Soliman Al-Hosain will change to "**independent**" as of the date of the Listing, and the Company will be in compliance with the requirements of Paragraph 3 of Article 16 of the CGRs after the Offering.

The CGRs regulate the various relationships between the Board of Directors, Executive Directors, shareholders and other stakeholders by establishing rules and procedures to facilitate decision-making processes with the aim of protecting the rights of shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct in the financial market and business environment.

The CGRs also require developing clear methods and procedures for disclosure and transparency, which ensure that the Board of Directors serves the best interests of shareholders and provides a clear and fair image of the Company's financial position and results of operations.

The Company's policy aims to adopt high standards of corporate governance and to apply the CGRs to the Company as of the date of its Listing. While the Company is currently implementing most provisions of the CGRs, it will comply with them in full as of the date of Listing. The Company believes that its keenness to adhere to and comply with the CGRs and other relevant laws and regulations is an important contributor to its continued success, and it will continue to update its Corporate Governance Manual when needed to reflect best practices. Except where listed as indicative, the provisions of the CGRs are mandatory.

5.9.2 Key Corporate Governance Requirements

The CGRs outline the key governance requirements to which the Company adheres and will adhere. These specifications cover, but are not limited to, the following broad areas:

- General rights of shareholders (Articles 4 to 9).
- Rights related to the meeting of the general assembly (Articles 10 to 15).
- The board of directors: its composition, responsibilities, competencies, procedures, and training (Articles 16 to 41).
- Cases of conflict of interest (Articles 42 to 49).
- The company committees (Articles 50 to 72).
- Internal controls, external auditors, the company reports and policies and other matters (Articles 73 to 98).

5.9.3 The Company' Internal Corporate Governance Manual and Regulations

On 24/10/1443H (corresponding to 25/05/2022G), the Board of Directors approved the Company's Internal Corporate Governance Manual.

The Company's Internal Corporate Governance Manual contains provisions relating to the following:

- Shareholders' rights.
- The Board of Directors, including its composition, membership rules, meetings, work procedures, responsibilities, powers and remuneration.
- The Company's Committees, including their composition, membership rules, meetings, work procedures, responsibilities, powers and remuneration.
- Control, internal audit and Auditor.
- The organization of relations with stakeholders.
- Professional and ethical standards.
- Disclosure and transparency policies.
- The retention of documents.

As at the date of this Prospectus, the Board of Directors declare that the Company is compliant with the mandatory provisions of the CGRs, with the exception of the following provisions:

- Article 8(a) which provides that upon calling for a General Assembly, the Company shall announce on the Exchange's website information about the nominees for membership on the Board.
- Article 8(c) which provides that voting in the General Assembly shall be confined to the Board nominees whose information has been announced in accordance with Article 8(a).
- Article 13(d) which provides that the invitation to the General Assembly shall be published on the Exchange's website, the Company's website and in a daily newspaper published in the area where the Company's head office is located.
- Article 13(h) in relation to recording the data of shareholders who wish to attend General Assembly meetings.
- Article 14(c) which provides that shareholders be allowed through the Company's website and the Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain information related to the items of the General Assembly's agenda, particularly the reports of the Board and the Auditor, the financial statements and the Audit Committee's report.
- Article 15(d) in relation to providing the CMA with a copy of the minutes of General Assembly meetings.
- Article 15(e) which provides that the Company announce to the public and inform the Authority and the Exchange of the results of General Assembly meetings immediately following their conclusion.
- Article 16(3) in relation to the number of independent Directors.
- Article 17(d) in relation to notifying the CMA of the Directors' names, membership descriptions, and any changes to their membership within five working days of the date of such changes.
- Article 19(b) which provides that upon the termination of the membership of a Board member, the Company shall promptly notify the CMA and the Exchange and specify the reasons for such termination.
- Article 51(b) in relation to the requirement that the Chairman of the Nomination and Remuneration Committee be an independent Director.
- Article 68 which provides that the Company publish the nomination announcement on its websites and the Exchange's website to invite persons wishing to be nominated for Board membership, and that the nomination period remain open for at least a month from the date of the announcement.

The Company is not currently in compliance with the aforementioned provisions of the Corporate Governance Regulations, given that the Company's shares have not yet been listed on the Exchange as at the date of this Prospectus. The Directors declare that the Company shall comply with these provisions as of the date of listing of the Company's shares on the Exchange. The Directors declare that the Company currently complies with all other provisions of the Corporate Governance Regulations and the provisions of the Companies Law.

5.10 Employee Share Program

As at the date of this Prospectus, there are no employee share programs, or other similar arrangements in place, entitling employees to participate in the Company's share capital.

6. Management's Discussion and Analysis of Financial Condition and Results of Operations

6.1 Introduction

The Management Discussion and Analysis section provides the Group with an analytical view of the combined operational performance of the Power and Water Utility Company for Jubail and Yanbu ("**MARAFIQ**") and its subsidiaries, MARAFIQ Water and Power Supply Company ("**TAWREED**"), MASA Services Company for Operation and Maintenance ("**MASA**"), and the joint operating arrangement with Jubail Water and Power Company Joint Venture ("**JWAP**"), the "**Group**") and the Group's financial position for the financial years ending 31 December 2019G, 2020G, and 2021G and the three-month period ending 31 March 2021G and 2022G.

This section and the attached notes have been prepared based on the consolidated financial statements for the fiscal years 2019G, 2020G, 2021G, and the three-month period ending 31 March 2021G and 2022G. The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and other standards and issuances in the Kingdom of Saudi Arabia approved by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**") (here in after referred to as "**International Financial Reporting Standards approved in the Kingdom of Saudi Arabia**") and have been audited by KPMG Professional Services (formerly KPMG Al Fozan & Partners) for the years ending 31 December 2019G, 2020G and 2021G and the reviewed three-month period ending 31 March 2021G and 2022G.

Neither KPMG Professional Services nor any of their affiliates, employees or their relatives own any shares or shares of any kind in the Group that might affect its independence as of the date of issuance of the independent auditor's report on the financial statements. As of the date of this Prospectus, the Auditors have provided and not withdrawn their written consent to the reference to their role as Auditors of the Group's accounts for the financial years ending 31 December 2019G, 2020G and 2021G and the three-month period ending 31 March 2021G and 2022G.

The financial statements mentioned above are an essential part of this Prospectus and should be read along with these statements and their supplementary explanations. The financial statements are disclosed in Section (19) "**Financial Statements and Auditor's Report**" of this Prospectus.

All amounts in this section have been rounded to the nearest thousand Saudi riyals unless otherwise noted, and numbers and percentages have been rounded to the nearest decimal place. Therefore, the sum of these numbers may differ from what is stated in the tables. Accordingly, all ratios, key performance indicators and growth rates are based on rounded figures.

The financial information for the financial year ending 31 December 2019G was used from the financial information for the comparative year presented in the Group's audited consolidated financial statements for the financial year ending 31 December 2020G. The financial information for the financial year ending 31 December 2020G was used from the financial information for the comparative year presented in the consolidated audited financial statements of the Group for the financial year ending 31 December 2021G, and the financial information for the three-month period ending 31 March 2021G was extracted from the financial information for the comparative period presented in the consolidated reviewed financial statements for the three-month period ending 31 March 2022G.

This section contains certain forward-looking statements in connection with the Group's future prospects, based on the Executive Management's current plans and expectations regarding the Group's growth, results of operations and financial conditions, and therefore such statements may involve risks and unconfirmed expectations. Actual results of the Group could differ materially from those expressed or implied by these expectations, as a result of various factors and future events, including factors discussed in this Section or elsewhere in this Prospectus, particularly those set out in Section 2 "**Risk Factors**".

6.2 Director's declaration for financial information

The Board of Directors declare the following:

1- That the financial information contained in this Prospectus has been extracted from the consolidated audited financial statements for the years ending 31 December 2019G, 2020G and 2021G, and the clarifications included with them without making any fundamental modification to them, and that it includes financial information presented on a consolidated basis in a form consistent with the financial statements that is approved annually by the Group in accordance with the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and according to the International Financial Reporting Standards (IFRS) for the financial years ending 31 December 2019G, 2020G and 2021G and the three-month period ending 31 March 2021G and 2022G.

2- That the Company and its Subsidiaries have working capital sufficient for a period of at least (12) months immediately following the date of publication of the Prospectus.

3- That there has been no significant adverse change in the financial or commercial position of the Group in the three fiscal years immediately preceding the application for registration and offering of securities and until the date of approval of this Prospectus, except for what was disclosed in this Prospectus. The members of the Board of Directors confirm that all material facts related to the Group and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts if they are omitted, the data contained in this Prospectus will become misleading.

4- That the Group does not have any property, including contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which significantly affects the assessment of the financial position.

5- That no commissions, discounts, brokerage fees or non-cash compensation were granted by the Group to any of the Board members, senior executives, those offering underwriting securities or experts during the three years immediately preceding the date of submitting the application for registration and offering.

6- That the Group does not have any loans or other indebtedness, including overdrafts from bank accounts, and acknowledges that it does not have any security obligations (including personal guarantee, unsecured, secured or unsecured) or obligations under acceptances, acceptances credit, or rental purchase commitments, except as disclosed in Section (12-7) "**Credit Facilities and Loans**" of this Prospectus.

7- That the Company has no issued and existing debt instruments, or approved and not issued, as of the date of this Prospectus.

8- That - to the best of their knowledge - there are no mortgages, rights, or any burdens or costs on the property of the Group as of the date of this Prospectus, except for what has been disclosed in Section 2 "**Risk Factors**" and Section 12 "**Legal Information**" of this Prospectus.

9- That the Company's capital is not under option.

10- That there is no reservation or qualification in the auditor's report on the financial statements of the Company and its Subsidiaries for any of the three fiscal years immediately preceding the date of submitting the application for registration and offering the securities subject to this Prospectus.

11- That there has been no material change in the accounting policies of the Company and its Subsidiaries in the past three years preceding the date of submitting the application for registration and offering the securities subject to this Prospectus.

6.3 Company overview

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

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities and to perform any work necessary for those purposes, including importing materials and others.

The Parent Company operates under commercial registration number 2055004968 dated 17/6/1422H corresponding to 5 September 2001G issued in Jubail Industrial City. The Parent Company's registered office is situated in the Support Industries Area of Jubail Industrial City, Kingdom of Saudi Arabia, the capital of the parent company is 2,500,000,000 Saudi riyals, divided into 250,000,000 shares, the value of each share is 10 Saudi riyals.

6.4 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("**IFRS**"). These consolidated financial statements have been prepared on a historical cost basis except for the cash flow hedge of investees that is carried at fair value and obligation for post-employment defined benefits which is measured at projected unit credit method.

These consolidated financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

Basis of consolidation

These financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as of 31 December 2019G, 2020G and 2021G. 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.

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

The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The Group accounts for its interest in the assets, liabilities, revenue and expenses relating to joint operation.

6.5 Significant accounting policies

A- Investments in associates, joint venture and joint operation

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

The Group's investments in its associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated income statement reflects the Group's share of the results of operations of the associates or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates or joint venture are eliminated to the extent of the interest in the associates or joint venture. The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in subsidiaries of the associates or joint venture. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and it's carrying value and recognizes the loss as 'Share of profit of equity accounted investees' in the consolidated income statement. Upon loss of significant influence over the associates or joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of associate upon loss of significant influence and the fair value of retained investment and proceeds from disposal is recognized in profit or loss. A joint operation is an arrangement in which the Group has joint control and has rights to assets and obligations for liabilities relating to the joint operation. The activities are undertaken by the Group in conjunction with other joint operators involved in the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the Group as a joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sales of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

B- Classification of assets and liabilities as current and non-current

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

C- Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. 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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

D- Revenue recognition

Revenue from contracts with customers is recognized over time to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. All Group's customers are based in the Kingdom of Saudi Arabia. The Group is engaged in providing utility services including water, power and sale of gas to various customers. The specific recognition criteria described below must also be met before revenue is recognized.

Utility services

The Group recognises revenue as the services are rendered over time as the customers simultaneously receive and consume the benefit. As per terms of the utility contracts with the customers, the Group invoices to customers per unit of output delivered to them. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and the Group recognizes revenue amount to which the Group has a right to invoice as the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. As per the utility user agreements (UUA), the amount of consideration is fixed per unit of output. No variable consideration, financing, non-cash consideration and consideration payable to customer is involved in the transaction price.

Unutilized booked capacity

Booked capacity revenue represents billing to customers if utility services usage is less than the agreed quantity (booked capacity) stipulated in the respective Utility User Agreement (UUA) with customers. Such revenue are invoiced and recognized in the period in which it becomes probable that the economic benefit will flow to the Group. The Parent Company is no longer entitled to claim such revenue for invoices issued after 2014 in accordance with Water and Electricity Regulatory Authority(WERA) directive.

Connection charges

Revenue in respect of connection charges, recovered from customers at the time of entering into an agreement, are recognized as deferred income and amortized over the expected life of customer relationship as follows:

Industrial customers	20 years
Non-industrial customers	5 years

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated income statement.

Dividends

Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income

Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers is initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

E- Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognized in OCI or income statement are also recognized in OCI or income statement, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations, if any, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the date of the transaction. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated income statement.

F- Property, plant and equipment

Property, plant and equipment except land and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Contributions by customers of items of property, plant and equipment, which require an obligation on the Group to either connect the customer to the network or to supply the customer with ongoing access to supply of power or water or both, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made in current and non-current liabilities combined. Revenue and the related depreciation is subsequently recognized over the contractual period stipulated in the Utility User Agreement (UUA).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Land and capital work in progress are stated at cost less impairment losses, if any, and is not depreciated until the asset is available for use in the manner intended by management.

The Company exercises judgement in determining the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. The Company reviews the residual value and useful lives annually and future depreciation charges are adjusted where the Company believes the useful lives differ from previous estimates.

G- Intangible assets

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

Software licenses

Intangibles mainly represent software license costs. A summary of the policies applied to the Group's intangible assets is as follows:

Software licence	
Useful lives	5 years
Amortization method used	Amortized on a straight-line basis over the useful life
Internally generated or acquired	Acquired

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

H- Leases

At inception of a contract, the Group assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liability for leases of low-value assets such as IT equipment and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

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

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 a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

I- Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

J- Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments'. A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss - FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

i. Classification and subsequent measurement of financial assets

The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

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

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows. The Group initially measures the trade receivables at the transaction price as the trade receivables do not contain a significant financing component.

ii. Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

iii. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 360 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables that result from contracts with the customers. The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the consolidated income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of reversal is recognized in the consolidated income statement.

iv. Derecognition of financial assets

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

Financial liabilities

i. Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as of FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

ii. Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

iii. Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

iv. Offsetting

Financial assets and liabilities are off-set and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

K- Impairment of non-financial assets

The Group makes an assessment at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount of an asset is the higher of the asset's or cash-generating unit's fair value or value in use. The recoverable amount of each asset is determined on an individual basis unless the asset generates cash flows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects 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 these parameters cannot be determined, an appropriate valuation method is used. These calculations are corroborated by valuation multiples, published stock prices for publicly traded companies, or other available fair value indicators.

The Group's calculation of impairment is based on detailed budgets and forecast calculations that have been prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast accounts cover a period of five years. A long-term growth rate is calculated and applied to estimate future cash flows after the fifth year.

Impairment losses are recognized in the unconsolidated statement of income in categories of expenses that are consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If any such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. Previously recognized impairment losses are reversed only if there has been a change in the assumptions used to determine the recoverable amount to recover the asset since the last impairment loss was recorded. The reversal of impairment losses is limited so that the carrying amount of the asset does not exceed its recoverable amount and does not exceed the carrying amount that was determined, net of depreciation, as if no impairment loss had been recognized for the asset in previous years. This reversal is recognized in the consolidated income statement.

The criteria specified below are also applied in assessing the impairment of certain assets:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as of 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

L- Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

Provision for slow-moving and obsolete inventories are made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

M- Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

N- Short-term deposits

Deposits of original maturity of greater than three months but less than one year are classified as short-term deposits under current assets.

O- Cash dividend and non-cash distribution to owners of equity

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders in the Annual General Assembly. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated income statement.

P- Provisions

General

Provisions are recognized 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

Q- Zakat and income tax

The Group is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") (formerly "General Authority of Zakat and Tax (GAZT)") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an estimated basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized. The Zakat charge in the consolidated income statement represents the Zakat for the Group. The Zakat charge and income tax, if any, assessable on the non-controlling shareholder, is included in non-controlling interest.

R- Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilized. The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilized. Unrecognized deferred income tax assets/liabilities are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

S- Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Weighted average number of ordinary shares as of 31 December 2021G and 31 December 2020G were 250,000,000 shares.

T- Employees' benefits

Short-term employee benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plan

The Group is operating unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurement gains and losses are recognized in full in the period in which they occur in consolidated statement of profit or loss and other comprehensive income.

Past service costs are recognized in consolidated income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue' and 'administrative expenses' in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Employee home ownership program

The Parent Company has established a home ownership program that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. Upon signing the sale contract with the eligible Saudi employees, the relevant residential units are classified under other non-current assets as due from employees at their present value. Down payments and instalments of purchase price received from employees are set off against the amounts due from employees classified under other non-current assets. The cost of the houses and the related purchase price is removed from other noncurrent assets when title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Group.

Employees' savings plan

The Parent Company administers an employees' savings plan (defined contribution plan) on behalf of its employees. Contributions from the participants are recorded as a liability and deposited in a separate bank account (refer note 14 and 19.2). Under the plan, an employee's contribution varies up to 15% of their basic pay at their discretion. Provision is made for the contributions made by the Parent Company which is 10% of the employee's contribution in the first year and ultimately increasing up to 100% in the tenth year.

U- Segment reporting

A business segment is a Group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenue and expenses that relate to transactions with any of the Parent Company's other components;
- the results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Chief Executive Officer of the Parent Company is considered to be the chief operating decision maker. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 5 to these consolidated financial statements.

V- Expenses

All expenses other than financial charges are allocated on a consistent basis among cost of revenue and administrative and other expenses in accordance with allocation factors determined as appropriate by the Company's management.

W- Cash flow hedge

The Group uses interest rate swaps (IRS) to hedge its risks associated with interest rates for JWAP and Jeddah Althaniya Water Company. Such derivative financial instruments are initially recorded at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Transaction costs, if any, for obtaining the hedge are recognized in the consolidated statement of financial position as hedge upfront fee and amortized over the hedge period.

For the purpose of cash flow hedges the Group hedges the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

X- Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

6.6 Significant accounting estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

As explained in Note 1, management, through the crisis management committee, has proactively assessed the potential impact of COVID-19 pandemic for any adverse effect on the supply chain, production capabilities, customer demand as well as distribution network that could cause a negative impact on the financial performance of the Group. Management has concluded that the critical accounting judgements, estimates and assumptions used in consolidated financial statements remain appropriate under the current circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

1- Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments

2- Defined benefit plans (post-employment benefits)

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "**Low, Service based**" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on the Group reinsurance mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in the Kingdom of Saudi Arabia in carrying out actuarial valuation of end of service benefits schemes. If any other mortality table is used it will not make any significant difference in the results. A further detail about post-employment benefit obligation is provided in Note 19.1.

3- Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4- Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives 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. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. During the year ending 31 December 2021G, the Parent Company reviewed the estimated useful lives of property, plant and equipment. Based on an independent technical assessment and advice from the Parent Company's technical team, the estimated useful lives of property, plant and equipment have been revised as follows:

	Up to 31 December 2020	Effective 1 January 2021
	Useful lives (in years)	
Plant and machinery	12.5 - 20	25 - 30
Buildings, wells and civil infrastructure	12.5 - 33.3	10 - 40
Meters, pipe networks and lift stations	12.5 - 20	20 - 25
Power lines, cables, meters and networks	14.3 - 33.3	30 - 40
Common external facilities	20	20
Other equipment	3 - 10	3 - 25

The impact of these changes on the actual and expected depreciation expense, included in "**Cost of Revenue**" and "**General and Administrative Expenses**", was as follows:

In SR '000'	2021	2022	2023	2024	2025
Decrease in depreciation expense	267,968	266,175	261,020	229,234	216,114

5- Residual value of property, plant and equipment

The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

6- Useful lives of intangibles

The Group shall review the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group shall change the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group shall change the amortization method to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

7- Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. This estimation is performed on an individual line item basis and a provision for non-moving and obsolete inventory items applied according to the inventory type and the degree of ageing or obsolescence.

8- Zakat and income tax

The Group is subject to Zakat and income tax in accordance with Zakat, Tax and Customs Authority (ZATCA) regulations. Zakat and income taxes are provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat and income tax rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Group retains exposure to additional Zakat and income tax liability.

9- Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 360 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

A- Measurement of ECLs

ECLs 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).

B- Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at Fair value through other comprehensive income ("**FVOCI**") are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows 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 being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties

C- Presentation of allowance for ECL

In the consolidated statement of financial position loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

D- Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

10- Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. A provision for onerous contracts is measured at the present value of the lower of expected cost of terminating the contract and expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

11- Lease term and estimating the incremental borrowing rate

Extension and termination options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and also where such options held are exercisable only by the Group and not by the respective lessor. Options are not included in the lease liabilities where the leased assets could be replaced without significant

cost or business disruptions. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no

observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

12- NEW STANWDARDS, AMENDMENTS AND INTERPRETATIONS

i. **New and revised standards with no material effect on the consolidated financial statements**

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2021G;
- and Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021G. The phase 2 amendments include practical expedients in respect of: Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence, of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

ii. **Accounting standards issued but not yet effective**

The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2021G:

- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022G;
- Annual Improvements to IFRS Standards 2018G-2020G, effective for annual periods beginning on or after 1 January 2022G;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022G;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022G;
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023G;
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023G;
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023G;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023G;
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023G;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023G; and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

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

6.7 Material subsidiaries

MASA Services Company for Operation and Maintenance ("**MASA**") and MARAFIQ Power and Water Supply Company ("**Tawreed**") and the joint operating arrangement with Jubail Water and Power and Water Company ("**JWAP**") were identified as material subsidiaries based on their contribution to the Group's revenue and assets as shown in the analysis below:

Table (6.1): Organization and main activities of subsidiaries

Company	Country of incorporation	Percentage of shareholding as of 31 December 2019G	Percentage of shareholding as of 31 December 2020G	Percentage of shareholding as of 31 December 2021G	Percentage of shareholding as of 31 March 2022G
MARAFIQ Insurance Limited ("MIL")	Island of Guernsey	100%	100%	100%	100%
MARAFIQ Water and Power Supply Company ("TAWREED")	Kingdom of Saudi Arabia	100%	100%	100%	100%
MASA Services Company for Operation and Maintenance ("MASA")	Kingdom of Saudi Arabia	51%	51%	100%	100%
Joint operating arrangement					
Jubail Water and Power Company ("JWAP")	Kingdom of Saudi Arabia	30%	30%	30%	30%
Investment in associates					
Jubail and Yanbu District Cooling Company ("TABREED")"	Kingdom of Saudi Arabia	20%	20%	20%	20%
Jeddah Althaniya Operation and Maintenance Company ("JAOM")	Kingdom of Saudi Arabia	N/A	49%	49%	49%
Investment in joint venture					
Jeddah Althaniya Water Company ("JAWC")	Kingdom of Saudi Arabia	45%	45%	45%	45%

Source: Consolidated audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G, and the consolidated reviewed financial statements for the period ending 31 March 2022G

Table (6.2): Assets by Subsidiaries

In SAR thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	31 March 2022G (Management information)
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	21,734,992	22,256,722	22,572,761	22,895,261
MARAFIQ Insurance Limited ("MIL")	19,863	29,326	33,949	33,779
MARAFIQ Water and Power Supply Company ("TAWREED")	477,265	458,291	444,426	503,872
MASA Services Company for Operation and Maintenance ("MASA")	280,352	306,863	362,858	307,250
Subtotal of subsidiaries	**22,512,472**	**23,051,202**	**23,413,994**	**23,740,162**
Jubail Water and Power Company ("JWAP")	2,761,069	2,642,284	2,412,319	2,391,214
Total before consolidation	**25,273,541**	**25,693,486**	**25,826,313**	**26,131,376**
Consolidation related adjustments/ eliminations*	(1,763,071)	(1,581,679)	(1,716,406)	(1,860,824)
Total after consolidation	**23,510,470**	**24,111,807**	**24,109,907**	**24,270,552**
Assets by entity after consolidation				
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	21,734,992	22,256,722	22,572,761	22,895,261
MARAFIQ Insurance Limited ("MIL")	4,792	24,300	25,826	27,917
MARAFIQ Water and Power Supply Company ("TAWREED")	392,147	381,038	373,237	469,412
MASA Services Company for Operation and Maintenance ("MASA")	30,672	194,670	168,667	36,933
Subtotal of subsidiaries	**22,162,603**	**22,856,730**	**23,140,491**	**23,429,523**
Jubail Water and Power Company ("JWAP")	1,347,867	1,255,077	969,416	841,029
Total	**23,510,470**	**24,111,807**	**24,109,907**	**24,270,552**
As a percentage of total after consolidation				
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	92.40%	92.30%	93.60%	94.30%
MARAFIQ Insurance Limited ("MIL")	0.00%	0.10%	0.10%	0.10%
MARAFIQ Water and Power Supply Company ("TAWREED")	1.70%	1.60%	1.50%	1.90%
MASA Services Company for Operation and Maintenance ("MASA")	0.10%	0.80%	0.70%	0.20%
Jubail Water and Power Company ("JWAP")	5.70%	5.20%	4.00%	3.50%

Source: Management Information.

* Adjustments relate to intercompany balances that has been eliminated as a result of consolidation (all subsidiaries except Tawreed)

It is worth noting that the Group consolidates the results of operations and financial position of the Joint operating agreement, JWAP, based on the percentage of ownership in JWAP (30%). Therefore, the consolidated results of JWAP within the consolidated financial statements of the Group represent 30% of the financial statements of JWAP.

Table (6.3): Revenue by Subsidiaries

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Three-month period ending 31 March 2021G (Management information)
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	3,852,630	3,853,783	3,973,221	941,398
MARAFIQ Insurance Limited ("MIL")	8,327	14,445	5,894	2,120
MARAFIQ Water and Power Supply Company ("TAWREED")	2,607,089	2,595,517	2,577,128	610,770
MASA Services Company for Operation and Maintenance ("MASA")	508,677	532,563	508,540	111,940
Subtotal of subsidiaries	**6,976,723**	**6,996,308**	**7,064,783**	**1,666,228**
Jubail Water and Power Company ("JWAP")	342,312	339,030	330,791	82,987
Total before consolidation	**7,319,035**	**7,335,338**	**7,395,574**	**1,749,215**
Consolidation related adjustments/eliminations*	(1,211,194)	(1,243,774)	(1,203,287)	(287,190)
Total after consolidation	**6,107,841**	**6,091,564**	**6,192,287**	**1,462,025**
Revenue by entity after eliminations				
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	3,852,630	3,853,783	3,973,221	941,398
MARAFIQ Insurance Limited ("MIL")	-	-	-	-
MARAFIQ Water and Power Supply Company ("TAWREED")	2,255,211	2,237,781	2,219,066	520,627
MASA Services Company for Operation and Maintenance ("MASA")	-	-	-	-
Subtotal of subsidiaries	**6,107,841**	**6,996,308**	**7,064,783**	**1,666,228**
Jubail Water and Power Company ("JWAP")	-	-	-	-
Total	**6,107,841**	**6,091,564**	**6,192,287**	**1,462,025**
As a percentage of total after consolidation				
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	63.10%	63.30%	64.20%	64.40%
MARAFIQ Insurance Limited ("MIL")	0.00%	0.00%	0.00%	0.00%
MARAFIQ Water and Power Supply Company ("TAWREED")	36.90%	36.70%	35.80%	35.60%
MASA Services Company for Operation and Maintenance ("MASA")	0.00%	0.00%	0.00%	0.00%
Jubail Water and Power Company ("JWAP")	0.00%	0.00%	0.00%	0.00%

Source: Management information.

* Adjustments relate to intercompany balances that has been eliminated as a result of consolidation (all subsidiaries except Tawreed) It is worth noting that the Group consolidates the results of operations and financial position of the Joint operating agreement, JWAP, based on the percentage of ownership in JWAP (30%). Therefore, the consolidated results of JWAP within the consolidated financial statements of the Group represent 30% of the financial statements of JWAP.

Table (6.4): Key performance indicators for the financial years ending in 2019G, 2020G, 2021G and the three-month period ending 31 March 2022G

In SAR thousands	Fiscal year 2019G	Fiscal year 2020G	Fiscal year 2021G	Annual growth rate	Annual growth rate	Compound annual growth rate	Three-month period ending 31 March 2022G
	(Management information)	(Management information)	(Management information)	2019G-2020G	2020G-2021G	2019G-2021G	(Management information)
Earnings before interest, tax, depreciation and amortization (EBITDA)	2,044,432	2,004,481	2,166,849	(2.00%)	8.10%	3.00%	504,458
Gross profit margin	8.50%	10.30%	14.60%	1.8	4.3	6.1	15.10%
General and administrative expenses as a % of revenue	3.90%	2.40%	2.30%	(1.5)	(0.1)	(1.5)	2.40%
Operating profit margin	11.70%	11.00%	16.10%	(0.8)	5.2	4.5	14.80%
EBITDA margin	33.50%	32.90%	35.00%	(0.6)	2.1	1.5	34.50%
Profit margin before zakat and income tax	3.40%	6.20%	12.70%	2.7	6.5	9.2	11.20%
Profit margin for the year / period	3.50%	4.80%	10.70%	1.3	6	7.2	9.70%
Days receivables outstanding	58	53	53	(5)	0	(5)	56
Days inventory outstanding	4	6	6	2	0	2	6
Days payables outstanding	36	31	28	(5)	(3)	(8)	27
Return on Assets	1.00%	1.30%	3.00%	0.3	1.7	2	2.60%
Return on Equity	2.70%	3.20%	10.10%	0.5	6.9	7.4	12.50%
Debt to equity ratio	1.9	1.9	1.6	0	(0.3)	(0.3)	1.6

6.8 Principal factors affecting the Group's performance and operations

The following is a discussion of the most important factors that have affected or are expected to affect the financial position of the Group and the results of its operations. These factors are based on the information currently available to the Group and none of them may have an impact on the Group's business:

- Regulatory factors
- Environmental factors
- Seasonal factors
- Economic and political factors
- The Group's dependency on related parties
- Unsigned finance lease contracts with the Royal Commission for Jubail and Yanbu
- Risks associated with the joint venture partners and shareholder agreements entered by the Group
- Unexpected network interruption
- Impact of fluctuation of interest rates on the Group's profitability
- COVID-19 pandemic

6.8.1 Regulatory factors

Organizational changes that may occur to the company may constitute restrictions that limit the expansion and development of the company. The impact may be directly related to the revenue of the Group and its subsidiaries, the services provided, or the high levels of competition in the market. It should be noted that most of the Group's revenue (except for Group revenue from SADARA and the JWAP project, which are not subject to the tariff set by the regulatory authorities) sourced from operations that are subject to tariffs set by the relevant regulators for water and power and which may not be appropriately modified in the future. As the Group is currently the only supplier of water, power and gas services in the four industrial cities, which are essential services to the Group's customers, the tariff imposed by the Group on its customers is subject to economic regulation.

During the past years, up to the date of this Prospectus, the tariffs to which the Company's power and water services are subject to have not been modified. The Company is exposed to the risk that the regulators in the future will not adjust and increase the tariff in proportion to the costs incurred by the Group, or not modify the tariff at all. The decisions issued by the regulatory authorities about determining the tariffs that the company imposes on its customers may not be favorable to the Group.

6.8.2 Environmental factors

Environmental regulations are expected to become more stringent in the future, and if legal protection against changes to regulations is not provided for in agreements entered into by the Group that may give it compensation for the resulting costs of complying with these requirements, any changes in the ecosystem may lead to increased responsibilities, commitment costs and capital expenditures, or difficulty in the Group's ability to comply with applicable requirements or obtain financing for its projects. With respect to these regulations and environmental requirements, the Group may need to obtain new or modified permits, purchase alternatives or allowances, or install costly emissions control technologies.

6.8.3 Seasonal factors

The Group is exposed to revenue seasonality and profitability based on availability which is the main driver of capacity revenue. Capacity requirements vary between winter (low season) and summer (high season) as the demand for energy and water is usually higher in the summer months. Accordingly, overall revenue and profits tend to rise during the summer season which usually extends during the second quarter and third quarter compared to the winter season mainly due to higher production capacity. As a result, the company may have difficulty planning its business and this may limit its ability to accurately forecast future revenue or accurately budget for its operating costs.

6.8.4 Economic and political factors

The Group's performance is highly dependent on the economic and political situation in the Kingdom of Saudi Arabia. The contribution of the oil sector to the gross domestic product of the Kingdom of Saudi Arabia remains a significant contribution despite the government's policies and efforts to diversify its sources of income in recent years. Future fluctuations in oil prices may have a negative impact on the Kingdom's economy and the government's budget. Fluctuations in oil prices, and a substantial drop in prices, may directly affect the economic activity in the Kingdom, including the water, power and gas sectors in which the Group operates.

Related party transactions are identified and recorded in the financial statements in accordance with the International Financial Reporting Standards, regulations, instructions and foundations inforced in the Kingdom of Saudi Arabia. The Group's success depends largely on the continuity of relations with related parties, given that the Royal Commission is the only lessor in the four industrial cities in which the company operates (Jubail, Yanbu, Ras al-Khair and Jazan), as well as Aramco being the only supplier of gas and fuel in the Kingdom.

6.8.5 The Group's dependency on related parties

In the course of its normal business, the company deals with many related parties, represented by the company's shareholders and affiliates, such as the Royal Commission for Jubail and Yanbu, Saudi Arabian Oil Company ("Aramco") and its subsidiaries, the Public Investment Fund, Saudi Basic Industries Corporation ("SABIC") and its subsidiaries, Tawreed, JWAP and MASA, which are carried out on a purely commercial basis.

The most important related parties' transactions are real estate and asset lease agreements concluded with the Royal Commission for Jubail and Yanbu, gas and fuel supply agreements concluded with Aramco, operation and maintenance agreements concluded with MASA, a water supply agreement concluded with JWAP, an energy and water sale agreement with a supplying company, and utility use agreements concluded with Aramco.

6.8.6 Unsigned finance lease contracts with the Royal Commission for Jubail and Yanbu

The Royal Commission is the sole owner of real estate, sites, and infrastructure facilities, and is entitled to lease them in the Jubail and Yanbu industrial cities and Jazan City for Primary and Downstream Industries, and Ras Al-Khair Industrial City. The company leases all these properties, sites, infrastructure facilities and assets from the Royal Commission.

The company's operations are relied on real estate and assets leased by the Royal Commission (noting that there are assets originating and owned by the company) under the main lease contract concluded with the Royal Commission, which regulates the contractual relationship between the company and the Royal Commission with regard to granting the company the right to use assets and industrial facilities necessary for its work from the Royal Commission and the mechanism for determining the amount of the lease in addition to other terms and conditions, including the company's right to purchase assets at any time during the effectiveness of the asset lease agreement in return for paying the total remaining rental values that are required to be paid annually under the asset lease agreement, and the main lease agreement indicated that the ownership of these assets shall pass to the company upon the expiry of the lease term.

It should be noted that these provisions include provisions that allow the Royal Commission (in its capacity as the lessor) the right to terminate the lease contracts and to claim the company's rental dues in the event that the company commits any of the breaches referred to in those contracts. Also, the land lease agreement did not include clauses related to how the Group will operate the assets built on the lands leased from the Royal Commission in the event of termination of the land lease agreement. It should be noted that the company has received several assets from the Royal Commission without signing lease contracts in respect of them, and the reserves allocated by the company do not cover the entire rent value.

6.8.7 Risks associated with the joint venture partners and shareholder agreements entered by the Group

When implementing some of its current projects (such as the JWAP project and the Jeddah Althaniya project) and future projects, the company depends on joint investment and joint projects with other partner, the Group may not have full control on the projects' management process and hence, the projects may not be operated in the effectiveness that the company desires, or may not operate in an optimal manner to serve its best interests. There is no guarantee that the partners will act in the interests of the Group.

In addition, joint investments and ventures expose the Company to the usual risks in such arrangements, which include, but are not limited to, the risk that an investor or partner in the Company's investments will breach regulations or fail to fulfill its obligations, which may harm the Group.

6.8.8 Unexpected network outage

Due to the nature of the Group's business, which depends on the operation of industrial facilities specialized in providing water, power and gas services, these industrial facilities may be exposed to technical failures and risks, including - but not limited to - suspension of some of the Group's facilities from unpredictable and unplanned factors. Some non-material interruptions have occurred in the Group's business in Yanbu Industrial City in 2020G and 2021G, and although these interruptions are not essential to the Group's business, there is no guarantee that these interruptions will not occur in the future or and have material interruptions to the Group's business due to any technical malfunctions that the Group's facilities may experience (and for more details about the failures that the Group's facilities may experience, please refer to Section (4-15) ("**Any major disruption in the Group's work**") of this Prospectus). The Group may be subject to not operating the industrial facilities at the expected level to meet the needs of the beneficiaries in terms of production or in terms of efficiency and effectiveness, or operating them less than their absorptive capacity.

6.8.9 Impact of fluctuation of interest rates on the Group's profitability

In accordance with the terms of the financing arrangements, the Group pays interest on the basis of approved interbank rates, such as SIBOR (the Saudi Interbank Offered Rate), in addition to a profit margin. Under most of the Group's financing arrangements, the Group or its subsidiaries are required to fully or partially hedge their exposure to interest rate fluctuations during the operating period. The Group and its subsidiaries are subject to interest rate fluctuations in relation to their financing arrangements upon the expiration of their protection arrangements, or in the event that the Group and project companies are not protected from such fluctuation, or if the Group and its subsidiaries fail to successfully implement their strategies to reduce interest rate risk. Neither the Group nor its subsidiaries have hedged interest rates, with the exception of JWAP. In the event that the Group decides in the future to work on obtaining hedging arrangements, it may be more expensive for the Group, and some types of economic hedging activities may not meet the requirements of hedge accounting in accordance with International Financial Reporting Standards.

6.8.10 COVID-19

The Corona Virus (COVID-19) pandemic has caused economic and financial turmoil globally - although the group's business has been affected less negatively than other sectors - and prompted government agencies to take unprecedented measures to mitigate the spread of the pandemic, including banning Travel, border closures, business closures, quarantines, stay-at-home orders, and measures aimed at stabilizing markets and boosting economic growth.

6.9 Results from operations

6.9.1 Consolidated income statements

Table (6.5): Consolidated statement of comprehensive income for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compoundannual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Reviewed)	Three-month period ending 31 March 2022G (Reviewed)	31 March 2021G-2022G variance
Revenue	6,107,841	6,091,564	6,192,287	(0.3%)	1.7%	0.7%	1,422,174	1,462,025	2.8%
Cost of revenue	(5,588,179)	(5,463,295)	(5,287,609)	(2.2%)	(3.2%)	(2.7%)	(1,233,793)	(1,240,546)	0.5%
Gross profit	**519,662**	**628,269**	**904,678**	**20.9%**	**44.0%**	**31.9%**	**188,381**	**221,479**	**17.6%**
Administrative expenses	(236,467)	(146,799)	(144,996)	(37.9%)	(1.2%)	(21.7%)	(22,748)	(34,094)	49.9%
Reversal / (charge) for impairment on trade receivables	-	(3,000)	1,873	N.A	(162.4%)	-	-	-	N.A
Other operating income	444,771	222,301	245,574	(50.0%)	10.5%	(25.7%)	44,018	29,041	(34.0%)
Other operating expenses	(12,128)	(36,700)	(9,413)	202.6%	(74.4%)	(11.9%)	(747)	(502)	(32.8%)

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compoundannual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Reviewed)	Three-month period ending 31 March 2022G (Reviewed)	31 March 2021G-2022G variance
Operating profit	**715,838**	**664,071**	**997,716**	**(7.2%)**	**50.2%**	**18.1%**	**208,904**	**215,924**	**3.40%**
Finance income	39,814	22,884	19,606	(42.5%)	(14.3%)	(29.8%)	4,829	6,582	36.3%
Finance costs	(545,215)	(314,896)	(236,518)	(42.2%)	(24.9%)	(34.1%)	(62,713)	(59,172)	(5.6%)
Share in results of equity accounted investees	-	-	849	N.A	N.A	N.A	(134)	542	(504.5%)
Profit before zakat and income tax	**210,437**	**372,059**	**781,653**	**76.8%**	**110.1%**	**92.7%**	**150,886**	**163,876**	**8,6%**
Zakat and income tax	2,606	(81,591)	(116,999)	(3230.9%)	43.4%	N.A	(46,659)	(20,928)	(55.1%)
Profit for the year / period	**213,043**	**290,468**	**664,654**	**36.3%**	**128.8%**	**76.6%**	**104,227**	**142,948**	**37.2%**
Items of other comprehensive income that will be reclassified to the income statement in subsequent periods:									
Share of gain / (loss) on cash flow hedge of a joint operation, net deferred tax	(33,176)	(59,401)	80,394	79.0%	(235.3%)	N.A	-	-	N.A
Share of gain on cash flow hedge of an equity accounted investee, net of deferred tax	-	-	10,448	N.A	N.A	N.A	50,610	101,054	99.7%
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:									
Re-measurement gain / (loss) on defined benefit obligation, net of deferred tax	2,610	(4,704)	6,107	(280.20%)	(229.80%)	53.00%	-	-	N.A
Other comprehensive income / (loss) for the year / period	**(30,566)**	**(64,105)**	**96,949**	**109.70%**	**(251.20%)**	**N.A**	**50,610**	**101,054**	**99.7%**
Total comprehensive income for the year / period	**182,477**	**226,363**	**761,603**	**24.10%**	**236.50%**	**104.30%**	**154,837**	**244,002**	**57.6%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G.

Table (6.6): Key performance indicators for the fiscal years ending in 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Earnings before interest, tax, depreciation, and amortization (EBITDA)	2,044,432	2,004,481	2,166,849	(2.0%)	8.1%	3.0%	509,234	504,458	(0.9%)
As a percentage of revenue									
Gross profit	8.5%	10.3%	14.6%	1.8	4.3	6.1	13.2%	15.1%	1.9
Administrative expenses	3.9%	2.4%	2.3%	(1.5)	(0.1)	(1.5)	1.6%	2.3%	0.7
Operating profit	11.7%	11.0%	16.2%	(0.8)	5.2	4.5	14.7%	14.8%	0.1
Earnings before interest, tax, depreciation and amortization (EBITDA)	33.5%	32.9%	35.0%	(0.6)	2.1	1.5	35.8%	34.5%	(1.3)
Profit before zakat and income tax	3.4%	6.1%	12.7%	2.7	6.5	9.2	10.6%	11.2%	0.6
Profit for the year / period	3.5%	4.8%	10.7%	1.3	5.9	7.2	7.3%	9.7%	2.4

Source: Management information

Revenue

The Group's revenue mainly consists of potable and process water revenue, wastewater revenue (industrial, irrigation and sanitary), sea water cooling revenue, power revenue, process water revenue from Sadara Company, natural gas distribution revenue, in addition to electricity and process and potable water revenue from operations in MARAFIQ Water and Power Supply Company ("**Tawreed**").

Revenue decreased by 0.3% from SAR 6,107.8 million in 2019G to SAR 6,091.6 million in 2020G, mainly due to a decrease in power revenue by SAR 44.0 million in line with the decrease in quantities sold from 8,396,845 thousand kilowatt-hours ("**TKWH**") in 2019G to 7,850,394 TKWH in 2020G as a result of the decrease in demand and consumption from clients, in addition to a decrease in the revenue of the MARAFIQ Water and Power Supply Company ("**Tawreed**") by SAR 17.4 million in line with the decrease in the quantities sold to the Saudi Electricity Company from 23,300,288 TKWH in 2019G to 21,842,724 TKWH in 2020G as a result of the decrease in demand and consumption. The decrease was partially offset by an increase in water revenue by SAR 38.0 million due to an increase in potable and process water revenue by SAR 47.5 million as a result of the increase in the quantities sold from 194,464,095 cubic meter in 2019G to 199,956,686 cubic meter in 2020G whereby this increase was primarily driven by an increase in revenue from Jubail by SAR 48.4 million in line with the increase in the quantities sold to government sector clients during the same period.

Revenue increased by 1.7% from SAR 6,091.6 million in 2020G to SAR 6,192.3 million in 2021G due to: (1) an increase in power revenue by SAR 88.7 million driven by the increase in revenue from Yanbu in line with the increase in quantities sold from 7,850,394 TKWH to 8,404,749 TKWH mainly from export surplus customers (a process through which the surplus energy is exported to the national grid, and power generation from Yanbu facilities to Jubail to the main buyers), namely the principal buyer Saudi Electricity Company and some industrial clients, (2) the start-up of the new power generating plant in Jazan, which generated revenue amounting to SAR 17.6 million, (3) an increase in gas revenue by SAR 26.2 million in line with the increase in quantities sold in Yanbu from 5,988,188 million British thermal units ("**mmbtu**") to 10,098,736 mmbtu as a result of the increasing demand from new and existing customers. This was partially offset by the decrease in revenue from MARAFIQ Water and Power Supply Company ("**Tawreed**") by SAR 18.7 million in line with the decrease in the power quantities sold from Tawreed to the Saudi Electricity Company by 812,920 TKWH and water volumes sold to the Saline Water Conversion Corporation by 2,409,840 cubic meter.

Revenue increased by 2.8% from SAR 1,422.2 million in the three-month period ending 31 March 2021G to SAR 1,462.0 million in the three-month period ending 31 March 2022G, due to the improvement in the operational performance across all segments as follows: (1) power revenue increased by SAR 14.1 million as a result of the increase in the quantities sold from 1,899,632 TKWH to 1,986,972 TKWH. This increase was driven by the new power generating plant in Jazan, which commenced operations in the second half of the 2021G, generating revenue amounting to SAR 17.2 million, (2) water revenue by SAR 11.4 million as a result of an increase in Sadara revenue by SAR 4.0 million due to the increase in the average selling price to Sadara, (3) MARAFIQ Water and Power Supply Company ("**Tawreed**") by SAR 10.0 million as a result of the increase in the quantities sold to the Saline Water Conversion Corporation from 40,650,304 cubic meter to 43,027,276 cubic meter, and (4) gas revenue by SAR 4.9 million in line with the increase in the quantities sold from 3,141,417 mmbtu to 3,147,887 mmbtu during the same period.

Cost of revenue

Cost of revenue consists of power and water costs, representing 27.1% of total cost of revenue in 2021G, fuel and chemical costs, representing 26.7% of total cost of revenue in 2021G, depreciation of property, plant and equipment representing 21.5% of total cost of revenue in 2021G, employee related costs representing 13.3% of total cost of revenue in 2021G, and operating and maintenance expenses representing 4.1% of cost of revenue in 2021G, among other expenses.

Cost of revenue decreased by 2.2% from SAR 5,588.2 million in 2019G to SAR 5,463.3 million in 2020G, mainly due to a decrease in employee related costs by SAR 97.4 million in line with the decrease in the number of employees by 192 employees following the cost saving initiative implemented by the Group to enhance the organizational structure of employees, and fuel and chemical costs by SAR 33.1 million as a result of the decrease in purchases and consumption of gas from Aramco due to a temporary plant shutdown in 2020G, in addition to a decrease in the Group's needs due to the drop in consumption from clients during the same period. This was offset by an increase in power and water costs by SAR 36.2 million as a result of the increase in the quantities purchased to meet production and demand from customers.

Cost of revenue further declined by 3.2% from SAR 5,463.3 million in 2020G to SAR 5,287.6 million in 2021G due to a decrease in: (1) depreciation expenses by SAR 196.0 million driven by the change in the estimate of the useful life of property, plant and equipment as a result of the Group's reassessment in 2021G of the useful lives of property, plant and equipment. Based on the independent technical evaluation, and advice from the parent company's technical teams, the estimated useful lives of property, plant and equipment have been adjusted as most classes of property, plant and equipment assets are considered to have a longer useful life.

Cost of revenue increased by 0.5% from SAR 1,233.8 million in the three-month period ending 31 March 2021G to SAR 1,240.5 million in the three-month period ending 31 March 2022G mainly due to the increase in power and water costs by SAR 21.1 million in line with the increase in production and revenue, the increase in depreciation expenses by SAR 10.4 million in line with additions to property, plant and equipment, and the increase in operating and maintenance expenses by SAR 6.3 million. This was partially offset by a decrease in amortization expense by SAR 22.9 million as a result of the late recognition of amortization expenses relating to previous periods in the three-month period ending 31 March 2021G, as these expenses were related to intangible assets whose ownership was not transferred to the Group from the Royal Commission for Jubail and Yanbu until the three-month period ending in 31 March 2021G.

Gross profit

Gross profit increased by 20.9% from SAR 519.7 million in 2019G to SAR 628.3 million in 2020G (gross profit margin increased from 8.5% to 10.3%), mainly due to: (1) the increase in the profitability of the power sector as a result of the decrease in employee costs due to the decrease in the number of employees, in addition to the increase in the profitability of the water sector as a result of the increase in the quantities sold to government sector clients in line with the increase in demand and consumption, (2) a decrease in cost of revenue from SAR 5,588.2 million to SAR 5,463.3 million as a result of the decrease in employee costs in line with the decrease in the number of employees following the cost saving initiative implemented by the Group to enhance the organizational structure of employees, and the decrease in fuel and chemical costs due to the decrease in purchases and consumption of gas from Aramco due to the decrease in demand from customers during the same period.

Gross profit further increased by 44.0% from SAR 628.3 million in 2020G to SAR 904.7 million in 2021G (gross profit margin increased to 14.6%), due to the increase in profitability across all operating sectors of the Group (with the exception of Tawreed), whereby the main driver of the increase in profitability of the sectors was the decrease in depreciation charges across all segments (following the revised estimated useful life of property, plant and equipment). Based on the independent technical evaluation, and advice from the technical teams of the parent company, the estimated useful lives of property, plant and equipment have been revised. The following has also contributed to the increase in the Group's profitability: (1) the increase in the profitability of the power sector, as a result of the increase in demand and consumption, which led to an increase in the quantities sold from 7,850,394 TKWH to 8,404,749 TKWH, (2) the increase in the profitability of potable and process water in line with the increase in revenue and quantities sold and increase in Sadara average selling price, whereby the Sadara tariff rates are indexed and determined based on local and international indicators (the Producer Price Index in the United States and the Producer Price Index in the Kingdom of Saudi Arabia) during the same period.

Gross profit increased by 17.6% from SAR 188.4 million in the three-month period ending 31 March 2021G to SAR 221.5 million in the three-month period ending 31 March 2022G (gross profit margin increased from 13.2% to 15.1%), due to: (1) the increase in the profitability of the potable and process water sector as a result of the increase in revenue and the decrease in operating expenses due to the decrease in water purchases, (2) the increase in the profitability of Sadara's potable and process water sector as a result of the increase in revenue in line with the increase in the average selling price due to price indexation, and (3) the increase in the profitability of the MARAFIQ Water and Power Supply Company ("**Tawreed**") as a result of an increase in revenue by SAR 10.0 million in line with the increase in the quantities sold to the Saline Water Conversion Corporation (whose revenue increased by SAR 11.3 million during the same period).

Administrative expenses

Administrative expenses comrpise of employee related costs, service contracts, donations, and amortization charges of intangible assets among other expenses.

Administrative expenses decreased by 37.9% from SAR 236.5 million in 2019G to SAR 146.8 million in 2020G, mainly due to the recording of a non-recurring provision related to employee cost optimization in 2019G. This represents an exceptional provision recorded by the Group based on a new cost optimization plan implemented in 2018G to offer early retirement packages commencing 2019G to employees meeting specific criteria, with the overall objective of reducing employee costs going forward. The provision booked in 2019G represents Management's best estimate of the remaining future payments. During 2020G, the Company paid out SAR 97.1 million of early retirement packages, hence incurring an additional SAR 10.1 million that were not previously provided for and recorded within employee related costs under cost of revenue.

Administrative expenses further declined by 1.2% from SAR 146.8 million in 2020G to SAR 145.0 million in in 2021G driven by the decrease in employee related costs by SAR 5.7 million as a result of the decrease in technical services provided by MASA, coupled with the decrease in bonus paid and the number of employees by 1 employee, in addition to the decrease in donations by SAR 3.1 million following the exceptional COVID-19 support paid to the Ministry of Health in 2020G.

Administrative expenses increased by 49.9% from SAR 22.7 million in the three-month period ending 31 March 2021G to SAR 34.1 million in the three-month period ending 31 March 2022G as a result of an increase in: (1) employee related costs by SAR 2.9 million due to an increase in the average monthly salary from SAR 9.9 thousand to SAR 11.5 thousand, (2) service contracts expenses by SAR 2.7 million in line with the increase in contracts concluded by the Group in information technology, and (3) donations by SAR 2.3 million which largely depend on the timing of charities' needs during the same period.

Reversal / (charge) for impairment on trade receivables

Reversal / (charge) for impairment on trade receivables pertains to the Group's implementation of the simplified approach in IFRS 9 to measure the expected credit loss ("**ECL**") on trade receivables, which uses a lifetime expected loss allowance by ageing bracket by type of customer (government, commercial, residential, industrial, etc.). It is worth noting that Management did not record any additional impairment loss on trade receivables in 2021G, and instead released SAR 1.9 million in connection with long outstanding receivables for more than 2 years related to commercial and residential customers.

Other operating profit

Other operating profits are mainly related to the profit margin of the Saudi Electricity Company (SEC margin), which represents the compensation received by the company for selling the entire power production from the station of JWAP to the Saudi Electricity Company in accordance with the decision of the Supreme Economic Council, whereby the compensation amounts to SAR 0.0075 / KWH. Other operating income also included vendor penalties, gain on sale of scrap and other miscellaneous income.

Other operating profits decreased by 50.0% from SAR 444.8 million in 2019G to SAR 222.3 million in 2020G due to a non-recurring income amounting to SAR 265.5 million in 2019G, related to the tariff differential income between the billing of the Saudi Electricity Company at the rates of industrial or commercial clients, whereby the change in tariffs was recognized as income when the dispute between the Group and the Saudi Electricity Company was resolved. This was offset by an increase in other operating profits of SAR 49.9 million due to the income received from project savings among local shareholders in JWAP amounting to SAR 25.6 million during the same period.

Other operating profit increased by 10.5% from SAR 222.3 million in 2020G to SAR 245.6 million in 2021G due to increase in vendor penalties by SAR 43.4 million as a result of a one-off penalty recovered from the home ownership program (HOP) contractor, coupled with the increase in sale of scrap by SAR 11.7 million due to disposal of spare parts, partly offset by a decrease in other miscellaneous income by SAR 25.7 million due to a lower income received on project savings between local shareholders of JWAP.

Other operating profits decreased by 34.0% from SAR 44.0 million in the three-month period ending 31 March 2021G to SAR 29.0 million in the three-month period ending 31 March 2022G as a result of the sale of scrap, coupled with the drop in SEC margin by SAR 5.2 million in line with the lower volumes sold from JWAP to the Saudi Electricity Company from 4,626,584 TKWH to 3,927,108 TKHW during the same period.

Other operating expenses

Other operating expenses relate to assets written off and other operating expenses.

Other operating expenses increased by 202.6% from SAR 12.1 million in 2019G to SAR 36.7 million in 2020G due to an increase in assets written-off by SAR 24.3 million due to (i) the recognition of a SAR 30 million provision write-off of infrastructure assets with regards to the Home Ownership Program in Yanbu following a review exercise of the Group's capital work in progress as of 31 December 2020G, (ii) the recognition of a SAR 11 million provision write-off in relation to a chlorine system in Yanbu 2 (as a result of an environmental issue).

Other operating expenses decreased by 74.4% from SAR 36.7 million in 2020G to SAR 9.4 million in 2021G, mainly due to a decrease in assets written off by SAR 27.8 million during the same period.

Other operating expenses decreased by 32.8% from SAR 747 thousand in the three-month period ending 31 March 2021G to SAR 502 thousand in the three-month period ending 31 March 2022G, as a result of the variations in the delivery contract costs.

Finance income

Finance income mainly comprised of income on short-term deposits and unwinding of discount on home ownership program ("**HOP**") receivables.

Finance income decreased from SAR 39.8 million in 2019G to SAR 22.9 million in 2020G and then to SAR 19.6 million in 2021G as a result of the decrease in income on short-term deposits following the decrease in SIBOR rate over the same period, and a decrease in unwinding of discount on HOP in connection with finance income on the residential units offered to employees.

Finance income increased by 36.3% from SAR 4.8 million in the three-month period ending 31 March 2021G to SAR 6.6 million in the three-month period ending 31 March 2022G mainly driven by the increase in income earned from short term deposits by SAR 2.3 million, partially offset by the decrease in unwinding discount on Home Ownership Program receivables by SAR 585 thousand during the same period.

Finance costs

Finance costs mainly comprised of finance costs on loans and borrowings, amortization of transaction cost of bank loans and borrowings and finance cost on lease liabilities.

During 2019G, the Group's Murabaha loans were restructured within a single loan with Banque Saudi Fransi to be repaid in full by 2034G with a grace period of 5 years commencing from October 2019G.

Financing costs decreased from SAR 545.2 million in 2019G to SAR 314.9 million in 2020G and then to SAR 236.5 million in 2021G, as this decrease was mainly driven by a decrease in the costs of financing long-term loans as a result of the restructuring of the Murabaha loans, coupled with the decline in SIBOR in the Kingdom of Saudi Arabia, as the Group's loans incur financing expenses at the prevailing interest rate among Saudi banks (SIBOR plus a margin).

Finance costs decreased by 5.6% from SAR 62.7 million in the three-month period ending 31 March 2021G to SAR 59.2 million in the three-month period ending 31 March 2022G mainly driven by a decrease in amortization of transactions costs pertaining to loans and borrowings by SAR 3.1 million in line with the decrease in loans and borrowings balance over the same period.

Share in results of equity accounted investees

The share in the results of equity accounted investees relates to the Group's share in profits of: (1) Jubail and Yanbu District Cooling Company Limited ("**MARAFIQ TABREED**"), which is 20.0% owned, and its main activities are the development, provision and support of industrial, commercial and residential district cooling systems for customers in the two industrial cities of Jubail and Yanbu, (2) Jeddah Althaniya Operation and Maintenance Company, which is 49% owned by the Group and its main activities are operation and maintenance of a waste water collection and treatment plant in Jeddah (whose commercial operations have not commenced during that period). The share in the results of equity-accounted investees amounted to SAR 849 thousand in 2021G.

The share in the results of equity-accounted investees increased from losses amounting to SAR 134 thousand Saudi riyals in the three-month period ending 31 March 2021G to profits of SAR 542 thousand in the three-month period ending 31 March 2022G representing the Group's share in profits of Jeddah Althaniya Operation and Maintenance Company.

Zakat and income tax

Zakat and income tax expenses increased from an income of SAR 2.6 million in 2019G to an expense of SAR 81.6 million in 2020G as a result of the increase in deferred tax charges by SAR 17.0 million, zakat charges for the year by SAR 16.4 million and income tax charges for the year by SAR 3.5 million.

Zakat and income tax expenses increased by 43.4% from SAR 81.6 million in 2020G to SAR 117.0 million in 2021G as a result of an increase in deferred tax charges by SAR 28.1 million, zakat expense charges for the year by SAR 4.6 million, and zakat charges for prior years by SAR 5.6 million following the change in the Zakat base during the same period.

Zakat and income tax expenses decreased by 55.1% from SAR 46.7 million in the three-month period ending 31 March 2021G to SAR 20.9 million in the three-month period ending 31 March 2022G, mainly due to a decrease in the deferred tax balance in line with the decrease in provisions during the same period.

Profit for the year / period

Profit for the year increased by 36.3% from SAR 213.0 million in 2019G to SAR 290.5 million in 2020G (net profit margin increased from 3.5% to 4.8%) mainly due to: (1) the decrease in financing costs from SAR 545.2 million to SAR 314.9 million mainly driven by the decrease in the costs of financing long-term loans in line with the decrease in the SIBOR rates in the Kingdom of Saudi Arabia, 2) increase in gross profit from SAR 519.7 million to SAR 628.3 million as a result of the decrease in cost of revenue driven by the decrease in employee related costs in line with the decrease in number of employees following the cost saving initiative implemented by the Group to enhance the organizational structure, (3) decrease in general and administrative expenses from SAR 236.5 million to SAR 146.8 million as a result of the recording of a non-recurring provision related to employee cost optimization in 2019G. The increase in profits was offset by a decrease in other operating profits from SAR 444.8 million in 2019G to SAR 222.3 in 2020G due to a non-recurring income related to the tariff differential income which resulted from the settlement of the dispute the Saudi Electricity Company and amounted to SAR 265.5 million in 2019G.

Profit for the year further increased by 128.8% from SAR 290.5 million in 2020G to SAR 664.7 million in 2021G (net profit margin increased to 10.7%) mainly driven by an increase in gross profit by SAR 276.4 million due to the decrease in cost of revenue as a result of the decrease in depreciation charges because of the change in the estimate of the useful life of property, plant and equipment following the reassessment of the useful lives in 2019G. In addition, finance costs decreased due to the restructuring of the Murabaha loans and the decrease in financing costs for long-term loans in line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia.

The profit for the period increased by 37.2% from SAR 104.2 million in the three-month period ending 31 March 2021G to SAR 142.9 million in the three-month period ending 31 March 2022G (net profit margin increased from 7.3% to 9.8%) mainly due to the increase in gross profit by SAR 33.1 million as a result the increase in profitability of most of the Group's sectors (potable and process water profitability increased in line with the increase in revenue and decrease in operating expenses, potable and process water for SADARA increased as a result of the increase in revenue in line with the increase in the average selling price as a result of the indexation, MARAFIQ for Supply of Electricity and Water Company ("**Tawreed**") profitability increased as a result of the increase in revenue in line with the increase in the quantities sold to the Saline Water Conversion Corporation). The increase in profit is also driven by the decrease in zakat and income tax expenses by SAR 25.7 million in line with the decrease in provisions, coupled with the decrease in financing costs by SAR 3.5 million (driven by a decrease in amortization of transactions costs pertaining to loans and borrowings in line with the decrease in loans and borrowings balance over the same period due to repayments). The increase in profit for the period was offset by an increase in general and administrative expenses by SAR 11.3 million as a result of the increase in employee related costs due to the increase in average monthly employee cost, coupled with the increase in service contracts expenses in line with the increase in contracts concluded by the Group in information technology, and an increase in donations during the same period.

1- Revenue

A- Revenue by subsidiary

The following table shows revenue by subsidiaries for the years ending in 2019G, 2020G and 2021G and the three-month period ending 31 March 2021G and 2022G:

Table (6.7): Revenue by companies for the fiscal years ending in 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power and Water Utility Company for Jubail and Yanbu (“MARAFIQ”)	3,852,630	3,853,783	3,973,221	0.0%	3.1%	1.6%	911,547	941,398	3.3%
MARAFIQ Insurance Limited (“MIL”)	8,327	14,445	5,894	73.5%	(59.2%)	(15.9%)	93	2,120	2177.4%
MARAFIQ Water and Power Supply Company (“TAWREED”)	2,607,089	2,595,517	2,577,128	(0.4%)	(0.7%)	(0.6%)	596,473	610,770	2.4%
MASA Services Company for Operation and Maintenance ("MASA")	508,677	532,563	508,540	4.1%	(4.0%)	0.0%	123,287	111,940	(9.2%)
Joint operation arrangement -	342,312	339,030	330,791	(1.0%)	(2.4%)	(1.7%)	78,323	82,987	6.0%
Jubail Water and Power Company ("JWAP")	342,312	339,030	330,791	(1.0%)	(2.4%)	(1.7%)	78,323	82,987	6.0%
Consolidation related adjustments*	(1,211,194)	(1,243,774)	(1,203,287)	2.4%	(3.0%)	(0.3%)	(287,549)	(287,190)	(0.1%)
Revenue by company after consolidation adjustments									
Power and Water Utility Company for Jubail and Yanbu (“MARAFIQ”)	3,852,630	3,853,781	3,973,222	0.0%	3.1%	1.6%	911,547	941,398	3.3%
MARAFIQ Water and Power Supply Company (“TAWREED”)	2,255,211	2,237,783	2,219,065	(0.8%)	(0.8%)	(0.8%)	510,627	520,627	2.0%
Total	**6,107,841**	**6,091,564**	**6,192,287**	**(0.3%)**	**1.7%**	**0.7%**	**1,422,174**	**1,462,025**	**2.8%**

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
As a percentage of total revenue				**Percentage points**					
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	63.1%	63.3%	64.2%	0.2	0.9	1.1	64.1%	64.4%	0.3
MARAFIQ Water and Power Supply Company ("TAWREED")	36.9%	36.7%	35.8%	(0.2)	(0.9)	(1.1)	35.9%	35.6%	(0.3)

Source: Management information.

* Adjustments relate to intercompany balances that has been eliminated as a result of consolidation (all subsidiaries except Tawreed)

Power and Water Utilities Company in Jubail and Yanbu ("MARAFIQ" or "The Company")

MARAFIQ revenue relates to revenue generated from power in Yanbu, potable and process water, sanitary and industrial wastewater, and sea water cooling, in the cities of Jubail and Yanbu.

MARAFIQ revenue remained stable at SAR 3,852.6 million in 2019G and SAR 3,853.8 million in 2020G, whereby power revenue decreased by SAR 44.0 million in line with the decrease in quantities sold from 8,396,845 TKWH to 7,850,394 TKWH as a result of the decline in demand and consumption by industrial clients driven by the global impact of the COVID-19 pandemic. This was offset by an increase in water revenue by SAR 38.0 million due to an increase in potable and process water revenue by SAR47.5 million as a result of an increase in potable and process water revenue in Jubail by SAR 48.4 million in line with the increase in the quantities sold to government sector clients during the same period.

MARAFIQ revenue increased by 3.1% from SAR 3,853.8 million in 2020G to SAR 3,973.2 million in 2021G mainly due to: (1) the increase in power revenue by SAR 88.7 million driven by the increase in power revenue in Yanbu in line with the increase in the quantities sold from 7,850,394 TKWH to 8,404,749 TKWH as a result of the export surplus (the process of exchanging and exporting energy to the national grid), (2) the operations of the new power plant in Jazan which generated revenue amounting to SAR 17.6 million, and (3) the increase in gas revenue by SAR 26.2 million in line with the increase in quantities sold in Yanbu from 5,988,188 mmbtu to 10,098,736 mmbtu as a result of increased demand from new and existing clients.

MARAFIQ revenue increased by 3.3% from SAR 911.5 million in the three-month period ending 31 March 2020G to SAR 941.4 million in the three-month period ending 31 March 2022G due to the increase in revenue across all sectors, whereby (1) power revenue increased by SAR 14.1 million as a result of the increase in the quantities sold from 1,899,632 TKWH to 1,986,972 TKWH driven by the operations of the new power plant in Jazan, (2) water revenue increased by SAR 11.4 million as a result of an increase in Sadara revenue by SAR 4.0 million due to the increase in the average selling price of Sadara, and (3) gas revenue increased by SAR 4.9 million driven by the increase in quantities sold from 3,141,417 mmbtu to 3,147,887 mmbtu during the same period.

MARAFIQ Water and Power Supply Company ("Tawreed")

The Jubail Water and Power Company ("JWAP") manages the operations of the independent water and power production plant in Jubail under Royal Decree No. M/27 issued on Rajab 21, 1428 AH (corresponding to April 9 2007G). Tawreed undertakes the purchases of this project in accordance with the Power and Water Purchase Agreement with JWAP Company, whereby it distributes 100.0% of the electricity produced by the plant to the Saudi Electricity Company, 37.5% of the water production to MARAFIQ Company for distribution in Jubail Industrial City, and 62.5% of the water production to the Saline Water Conversion Corporation to supply water to other regions of the Eastern Province.

MARAFIQ owns 100.0% of Tawreed, whereby Tawreed was established for the purpose of purchasing water and electricity from the Jubail Water and Power Company and selling these benefits to: the Saudi Electricity Company, the Saline Water Conversion Corporation and MARAFIQ Company. In addition, Tawreed purchases fuel from Aramco and then supplies it to JWAP Company. Tawreed sells the power and water to the Saudi Electricity Company, the Saline Water Conversion Corporation and MARAFIQ Company at the same cost price as it was purchased from JWAP Company, and it sells the fuel purchased from Aramco to JWAP Company at the same cost price. Revenue from Tawreed includes power and water revenue.

MARAFIQ Water and Power Supply Company ("Tawreed") revenue decreased by 0.8% from SAR 2,255.2 million in 2019G to SAR 2,237.8 million in 2020G in line with the decrease in the quantities sold to the Saudi Electricity Company from 23,300,288 TKWH to 21,842,724 TKWH driven by the decrease in demand and consumption.

MARAFIQ Water and Power Supply Company ("Tawreed") revenue further declined by 0.8% from SAR 2,237.8 million in 2020G to SAR 2,219.1 million in line with the decrease in the quantities sold to the Saudi Electricity Company by 812,920 TKWH, in addition to the decrease in the water volumes sold to the Saline Water Conversion Corporation by 2,409,840 cubic meter driven by the decrease in demand during the same period.

MARAFIQ Water and Power Supply Company ("Tawreed") revenue increased by 2.0% from SAR 510.6 million in the three-month period ending 31 March 2021G to SAR 520.6 million in the three-month period ending 31 March 2022G due to the increase in the quantities sold to the Saline Water Conversion Corporation from 40,650,304 cubic meter to 43,027,276 cubic meter during the same period.

B- Revenue by operating segments

Table (6.8): Revenue by operating segments for the fiscal years ending 31 December 2019G, 2020G, 2021G, and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power	1,506,190	1,471,286	1,558,996	(2.3%)	6.0%	1.7%	358,663	374,666	4.5%
Potable and process water	1,057,951	1,088,505	1,077,710	2.9%	(1.0%)	0.9%	246,383	258,934	5.1%
Potable and process water - SADARA	359,110	376,097	387,974	4.7%	3.2%	3.9%	92,260	96,290	4.4%
Wastewater (sanitary, industrial, reclaimed)	302,524	311,526	311,311	3.0%	(0.1%)	1.4%	74,467	75,673	1.6%
Sea water cooling	489,333	519,952	520,625	6.3%	0.1%	3.1%	112,927	106,259	(5.9%)
Natural gas distribution	31,755	38,175	64,379	20.2%	68.6%	41.9%	20,027	20,068	0.2%
Adjustments	105,767	48,241	52,227	(54.4%)	8.3%	(29.7%)	6,820	9,509	39.4%
Total (MARAFIQ)	**3,852,630**	**3,853,782**	**3,973,222**	**0.0%**	**3.1%**	**1.5%**	**911,547**	**941,399**	**3.3%**
Power - Saudi Electricity Company	1,667,539	1,636,226	1,618,765	(1.9%)	(1.0%)	(1.5%)	368,048	366,755	(0.4%)
Potable water and process water - Saline Water Conversion Corporation	587,672	601,556	600,300	2.40%	(0.2%)	1.1%	142,579	153,871	7.9%
Total (Tawreed)	**2,255,211**	**2,237,782**	**2,219,065**	**(0.8%)**	**(0.8%)**	**(0.8%)**	**510,627**	**520,626**	**2.0%**
Total	**6,107,841**	**6,091,564**	**6,192,287**	**(0.3%)**	**1.7%**	**0.7%**	**1,422,174**	**1,462,025**	**2.8%**

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Key performance indicators									
Units Sold (MARAFIQ)									
Power - Thousand Kilowatt-hour	8,396,845,330	7,850,394,085	8,501,414,917	(6.5%)	8.3%	0.6%	1,899,632,307	1,986,971,568	4.6%
Potable and process water - Cubic meter	159,449,193	164,869,679	163,061,032	3.4%	(1.1%)	1.1%	36,747,457	39,071,356	6.3%
Potable and process water - SADARA - Cubic meter	35,014,902	35,087,007	34,425,267	0.2%	(1.9%)	(0.8%)	7,562,706	7,481,729	(1.1%)
Wastewater (sanitary, industrial, reclaimed) - Cubic meter	144,699,782	151,188,372	153,725,795	4.5%	1.7%	3.1%	36,044,193	35,282,424	(2.1%)
Sea water cooling - Cubic meter	7,751,318,378	8,237,822,710	8,246,876,680	6.3%	0.1%	3.1%	1,788,800,680	1,683,178,309	(5.9%)
Gas - million British thermal units	5,056,769	5,988,188	10,098,736	18.4%	68.6%	41.3%	3,141,417	3,147,887	0.2%
Average selling price (MARAFIQ) - in SAR									
Power - Thousand Kilowatt-hour	0.18	0.19	0.18	0.8	(0.4)	0.4	0.19	0.19	0
Potable and process water - Cubic meter	6.64	6.6	6.61	(3.3)	0.7	(2.6)	6.7	6.63	(0.1)
Potable and process water - SADARA - Cubic meter	10.26	10.72	11.27	46.3	55.1	101.4	12.2	12.87	0.7
Wastewater (sanitary, industrial, reclaimed) - Cubic meter	2.09	2.06	2.03	(3)	(3.5)	(6.6)	2.07	2.14	0.1
Sea water cooling - Cubic meter	0.06	0.06	0.06	0	0	0	0.06	0.06	0
Gas - million British thermal units	6.28	6.38	6.37	9.5	(0.1)	9.5	6.38	6.37	0
Units Sold (Tawreed)									
Power (Saudi Electricity Company) - Thousand Kilowatt-hour	23,300,288	21,842,724	21,029,804	(6.3%)	(3.7%)	(5.0%)	4,625,584	3,927,108	(15.1%)

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Water (Saline Water Conversion Corporation) - Cubic meter	174,613,248	178,762,256	176,352,416	2.4%	(1.3%)	0.5%	40,650,304	43,027,276	5.8%
Average selling price (Tawreed) - in SAR									
Power (Saudi Electricity Company) - Thousand Kilowatt-hour	0.07	0.07	0.08	0	0	0	0.08	0.09	0
Water (Saline Water Conversion Corporation) - Cubic meter	3.37	3.37	3.4	0	3.9	3.8	3.51	3.58	0.1
As a percentage of total revenue									
Power	24.7%	24.2%	25.2%	(0.5)	1	0.5	25.2%	25.6%	0.4
Potable and process water	17.3%	17.9%	17.4%	0.5	(0.5)	0.1	17.3%	17.7%	0.4
Potable and process water - SADARA	5.9%	6.2%	6.3%	0.3	0.1	0.4	6.5%	6.6%	0.1
Wastewater (sanitary, industrial, reclaimed)	5.0%	5.1%	5.0%	0.1	(0.1)	0.0	5.2%	5.2%	0.0
Sea water cooling	8.0%	8.5%	8.4%	0.5	(0.1)	0.4	7.9%	7.3%	(0.6)
Natural gas distribution	0.5%	0.6%	1.0%	0.1	0.4	0.5	1.4%	1.4%	0
Adjustments	1.7%	0.8%	0.8%	(0.9)	0	(0.9)	0.5%	0.7%	0.2
Total (MARAFIQ)	63.1%	63.3%	64.2%	0.2	0.9	1.1	64.1%	64.4%	0.3
As a percentage of total revenue (Tawreed)									
Power - Saudi Electricity Company	27.3%	26.9%	26.1%	(0.4)	(0.8)	(1.2)	25.9%	25.1%	(0.8)
Potable water and process water - Saline Water Conversion Corporation	9.6%	9.9%	9.7%	0.3	(0.2)	0.1	10.0%	10.5%	0.5
Total (Tawreed)	**36.9%**	**36.7%**	**35.8%**	**(0.2)**	**(0.9)**	**(1.1)**	**35.9%**	**35.6%**	**(0.3)**

Source: Management information

Regulators determine the pricing of the Group's tariffs for power, water (potable and process water, wastewater, and sea water cooling) and gas service lines, with the exception of potable water and process water and SADARA, in addition to the operations of MARAFIQ Water and Power Supply Company ("**Tawreed**") as it has a different pricing arrangement.

Until 2020G, the Electricity and Cogeneration Regulatory Authority was the only regulatory authority to regulate the electricity and water sector in the Kingdom of Saudi Arabia, and in January 2021G, the Government of the Kingdom of Saudi Arabia launched a new system for the two sectors whereby the Electricity and Cogeneration Regulatory Authority was replaced by three new independent regulators, the Water and Electricity Regulatory Authority (WERA), Ministry of Environment, Water and Agriculture, and Ministry of Industry and Mineral Resources.

The average selling price has remained relatively stable for all the operating sectors subject to the regulators' pricing during the historical period (power, water (excluding SADARA), and gas) due to the absence of tariff pricing changes by the regulators. It is worth noting that the slight change in the average selling price is the result of the change in mix of customers during the period, where there is a difference in the sectoral tariffs between industrial, commercial, government and residential customers.

MARAFIQ Company revenue

Power

Power revenue related to revenue from electricity generation in Yanbu and Jazan, whose operations began in 2021G. Power revenue accounts for 25% of the Group's revenue.

Power revenue decreased by 2.3% from SAR 1,506.2 million in 2019G to SAR 1,471.3 million in 2020G driven by the decrease in the quantities sold from 8,396,845,330 TKWH to 7,850,394,085 TKWH mainly driven by the decline in demand from industrial customers as a result of the global impact of the COVID-19 pandemic during the same period. This was offset by an increase in the average selling price from SAR0.18/KWH to SAR0.19/KWH driven by the change in the client mix during the period.

Power revenue increased by 6.0% from SAR 1,471.3 million in 2020G to SAR 1,559.0 million in 2021G as a result of the increase in the quantities sold by 651,020,832 TKWH mainly driven by the export surplus (a process through which a surplus is exported power to the national grid, and power generation from Yanbu to Jubail facilities) and the increase in demand from industrial customers during the same period. The average selling price remained stable at approximately SAR0.18/KWH in 2021G due to the absence of a change in the tariff set by the regulators.

Power revenue increased by 4.5% from SAR 358.7 million in the three-month period ending 31 March 2020G to SAR 374.7 million in the three-month period ending 31 March 2022G mainly due to the increase in quantities sold from 1,899,632 TKWH to 1,986,972 TKWH driven by the operations of the new power plant in Jazan which began operations in the first half of 2021G and generated revenue amounting to SAR 17.2 million, while the average selling price remained stable at around SAR0.19/KWH due to the absence of a change in the tariff set by regulators.

Potable and process water

Potable and process water revenue represent water sold to industrial, residential and governmental clients in Jubail and Yanbu. Sea water is desalinated in the MARAFIQ plants through a distillation and condensation process, and then a portion is sold as process water to industrial customers, and another portion is supplied with minerals and disinfected with chlorine dioxide to be sold as potable water to the remaining clients.

Potable and process water revenue increased by 2.9% from SAR 1,058.0 million in 2019G to SAR 1,088.5 million in 2020G, mainly due to the increase in the quantities sold from 159,449,193 cubic meter to 164,869,679 cubic meter driven by the increase in demand from industrial and government clients in Jubail, offset by the decrease in demand from government and industrial clients in Yanbu during the same period. The average selling price decreased from SAR6.64/cubic meter to SAR6.60/cubic meter as a result of the change in the client mix during the period.

Potable and process water revenue decreased by 1.0% from SAR 1,088.5 million in 2020G to SAR1,077.7 million in 2021G as a result of a decrease in the quantities sold by 1,808,647 cubic meter due to the decrease in demand from government and residential clients in Jubail during the same period. This was offset by an increase in the average selling price to SAR6.61/cubic meter as a result of the change in the client mix during the period.

Potable and process water increased by 5.1% from SAR 246.4 million in the three-month period ending 31 March 2021G to SAR 258.9 million in the three-month period ending 31 March 2022G mainly due to the increase in quantities sold from 36,747,457 cubic meter to 39,071,356 cubic meter as a result of the high demand in Jubail and Yanbu, in addition to additional revenue generated in Ras Al-Khair as a result of the supply agreement signed between the Group and the Saline Water Conversion Corporation to supply water in the Ras Al-Khair area. This was partially offset by a decrease in the average selling price from SAR6.70/cubic meter to SAR6.63/cubic meter driven by the change in the client mix during the period.

Potable and process water – SADARA

MARAFIQ has entered into an agreement to supply industrial water to Sadara's facilities in Jubail on a build-own-operate basis for a period of 20 years. This project represents the first facility to be built and operated by MARAFIQ within the client's facilities. The plant desalinates sea water using reverse osmosis technology, which is located within the boundaries of the Sadara Company premises and receives sea water supplies from the network of MARAFIQ Company, and the quantities sold are determined according to the agreement signed between Sadara and MARAFIQ Company.

Sadara's potable and process water increased by 4.7% from SAR 359.1 million in 2019G to SAR 376.1 million in 2020G mainly due to the increase in the quantities sold from 35,014,902 cubic meter to 35,087,007 cubic meter, in addition to an increase in the average selling price of Sadara from SAR10.3/cubic meter to SAR10.7/cubic meter, as Sadara tariff prices are indexed and determined based on local and international indicators (the Producer Price Index in the United States and the Producer Price Index in the Kingdom of Saudi Arabia).

Sadara's potable and process water further increased by 3.2% to SAR 388.0 million in 2021G in line with the increase in quantities sold and the increase in the average selling price SAR11.3/cubic meter as a result of the above-mentioned indexing process during the same period.

Sadara's potable and process water revenue increased by 4.4% from SAR 92.3 million in the three-month period ending 31 March 2021G to SAR 96.3 million in the three-month period ending 31 March 2022G mainly due to the price indexing process mentioned above. This was offset by a decrease in the quantities sold from 7,562,706 cubic meter to 7,481,729 cubic meter during the same period.

Wastewater (sanitary, industrial, irrigation)

Revenue from wastewater includes sewage and industrial water and reclaimed water. Wastewater is collected through a network of pipelines to pumping and lifting stations in different locations in residential and industrial areas, and then the wastewater is transported to treatment plants for sewage and industrial separately, and then it is sold as reclaimed water to be used in irrigation for agricultural purposes, whereby the Royal Commission for Jubail and Yanbu is the main client.

It is worth noting that sewage and industrial wastewater treatment plants uses primary, secondary and biological treatment processes based on filtration and disinfection techniques, and the third stage of industrial sewage treatment is equipped with treatment techniques with Fenton oxidation and activated carbon granules to meet the latest regulatory requirements of the Royal Commission, as a result, the cost of this treatment is considered high. This resulted in a gross loss over the historical period. The quantities sold in the potable and process water sector are directly related to the quantities sold in the wastewater sector, and accordingly, the tariff price for potable and process water includes a cross-subsidization that indirectly compensates for the loss in the water sector.

Wastewater revenue increased by 3.0% from SAR 302.5 million in 2019G to SAR 311.5 million in 2020G mainly due to the increase in the quantities sold from 144,699,782 cubic meter to 151,188,372 cubic meter as a result of: (1) the increase in the sanitary waste water quantities sold in Jubail as a result of the increased demand from commercial and residential clients, (2) the increase in the quantities sold of industrial wastewater as a result of the increase in demand from industrial clients during the same period. This was offset by a decrease in the average selling price from SAR2.09/cubic meter to SAR2.06/cubic meter as a result of the change in the client mix during the same period.

Wastewater revenue decreased by 0.1% from SAR 311.5 million in 2020G to SAR 311.3 million in 2021G as a result of the decrease in the average selling price from SAR2.06/cubic meter to SAR2.03/cubic meter as a result of a change in the client mix. This was offset by an increase in the quantities sold reaching 153,725,795 cubic meter, in line with the increase in demand and consumption.

Wastewater revenue increased by 1.6% from SAR 74.5 million in the three-month period ending 31 March 2021G to SAR 75.7 million in the three-month period ending 31 March 2022G mainly driven by the increase in the average selling price from SAR2.07/cubic meter to SAR2.14/cubic meter as a result of the change in client mix. This was offset by a decrease in the quantities sold from 36,044,193 cubic meter to 35,282,424 cubic meter as a result of the decrease in demand during the same period.

Sea water cooling

Sea water cooling revenue relates to seawater that is purified through stationary filters and then chlorinated before being sent to customers through the distribution channel and used for cooling purposes in the customers' facilities.

Sea water cooling revenue increased by 6.3% from SAR 489.3 million in 2019G to SAR 520.0 million in 2020G, mainly due to the increase in the quantities sold from 7,751,318,378 cubic meter to 8,237,822,710 cubic meter driven by the increase in the quantities sold in Jubail and Yanbu in line with the high demand and consumption from industrial clients during the same period.

Sea water cooling revenue increased by 0.1% from SAR 520.0 million in 2020G to SAR 520.6 million in 2021G as a result of an increase in the quantities sold by 9,053,970 cubic meter driven by the increase in the quantities sold in Jubail in line with the increase in demand and consumption from industrial clients. This was offset by a decrease in the quantities sold in Yanbu due to a decrease in demand and consumption by the clients during the same period.

The average selling price of sea water cooling remained stable at SAR0.06/cubic meter throughout the historical period.

Sea water cooling revenue decreased by 5.9% from SAR 112.9 million over the three-month period ending 31 March 2021G to SAR 106.3 million over the three-month period ending 31 March 2022G mainly due to the decrease in quantities sold from 1,788,800,680 cubic meter to 1,683,178,309 cubic meter as a result of the decrease in demand from industrial clients in Jubail and Yanbu especially from SABIC and its subsidiaries. The average selling price remained stable at around SAR0.06/cubic meter due to the absence of a change in tariff set by the regulators over the same period.

Gas distribution

The company distributes natural gas purchased from Aramco without any additional processing, whereby the company signed a purchase agreement with Aramco that ends in July 2030G, which stipulates that the quantity purchased shall not exceed 140,400 mmbtu units per day, which represents 51,246,000 mmbtu units annually. The selling price was set by the government of the Kingdom of Saudi Arabia at USD0.75/mmbtu, which is equivalent to SAR2.8/mmbtu.

Gas revenue increased by 20.2% from SAR 31.8 million in 2019G to SAR 38.2 million in 2020G to SAR 64.4 million in 2021G (at a rate of 68.5% over the 2020G-2021G period and a compound growth rate of 41.9% over the 2019G-2021G period) as a result of the increase in the quantities sold from 5,056,769 mmbtu to 10,098,736 mmbtu due to high demand from customers and the Group securing new customers during the same period.

Gas revenue increased by 0.2% from SAR 20.0 million in the three-month period ending 31 March 2021G to SAR 20.1 million in the three-month period ending 31 March 2022G mainly due to the increase in quantities sold from 3,141,417 mmbtu to 3,147,887 mmbtu as a result of high demand from customers, whereas the average selling price remained stable at around SAR6.37/mmbtu due to the absence of a change in a tariff set by the regulators during the same period.

Adjustments

The Group's revenue included adjustments recorded by management over the historical period related to installation charges on power equipment, adjustments on booked capacity revenue relating to historical years, customer funded assets deferred income, accrual sales in connection with cut-off period between actual invoice billing cycle versus the actual fiscal year revenue recognition, among other adjustments. It is important to note that all these adjustments are audited by the the Group's external auditor and are in line with the accounting policies of the Group. These have been presented separately as these do not have corresponding sales volumes and cannot be correlated to a specific operating segment.

Total adjustments amounted to SAR 105.8 million in 2019G, SAR 48.2 million in 2020G, and SAR 52.2 million in 2021G.

Total adjustments amounted to SAR 6.8 million in the three-month period ending 31 March 2021G and SAR 9.5 million in the three-month period ending 31 March 2022G.

TAWREED Company revenue

Power - Saudi Electricity Company

Power revenue generated from Tawreed company relate to electricity that is purchased from JWAP and sold to the Saudi Electricity Company in accordance with the Power and Water Purchase Agreement with JWAP.

Power revenue decreased by 1.9% from SAR 1,667.5 million in 2019G to SAR 1,636.2 million in 2020G in line with the decrease in the quantities sold to the Saudi Electricity Company from 23,300,288 TKWH to 21,842,724 TKWH as a result of the decrease in demand and consumption during the same period.

Power revenue further decreased by 1.0% from SAR 1,636.2 million in 2020G to SAR 1,619.3 million in line with the decrease in the quantities sold to the Saudi Electricity Company by 812,920 TKWH as a result of the decrease in demand.

Power revenue decreased by 0.4% from SAR 368.0 million in the three-month period ending 31 March 2021G to SAR 366.8 million in the three-month period ending 31 March 2022G in line with the decrease in the quantities sold to the Saudi Electricity Company from 4,625,584 TKWH to 3,927,108 TKWH as a result of the decline in demand and consumption during the same period.

Potable water and process water - Saline Water Conversion Corporation

The power and water production plant in Jubail supplies water to the MARAFIQ Company and the Saline Water Conversion Corporation.

Potable and process water revenue increased by 2.4% from SAR 587.7 million in 2019G to SAR 601.6 million in 2020G in line with the increase in quantities sold from 174,613,248 cubic meter to 178,762,256 cubic meter as a result of higher demand and consumption during the same period.

Potable and process water revenue decreased by 0.2% from SAR 601.6 million in 2020G to SAR 600.3 million in 2021G as a result of a decrease in the quantities sold to the Saline Water Conversion Corporation by 2,409,840 cubic meter due to a decline in demand during the same period.

Potable and process water revenue increased by 7.9% from SAR 142.6 million in the three-month period ending 31 March 2021G to SAR 153.9 million in the three-month period ending 31 March 2022G in line with the increase in quantities sold from 40,650,304 cubic meter to 43,027,276 cubic meter as a result of high demand and consumption during the same period.

C- Revenue by main clients

Table (6.9): Revenue by main clients for the fiscal years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power									
Saudi Basic Industries Corporation ("SABIC") and its subsidiaries	588,236	558,816	526,971	(5.0%)	(5.7%)	(5.4%)	131,314	119,837	(8.7%)
Saudi Aramco and its subsidiaries	559,705	480,467	550,467	(14.2%)	14.6%	(0.8%)	130,182	135,499	4.1%
Royal Commission for Jubail & Yanbu ("Royal Commission")	69,050	70,953	72,441	2.8%	2.1%	2.4%	13,613	14,146	3.9%
Saudi Electricity Company	1,704,267	1,638,392	1,618,923	(13.9%)	(1.2%)	(2.5%)	368,205	366,756	(0.4%)
Others	252,471	358,885	408,960	42.2%	14.0%	27.3%	83,397	105,184	26.1%
Total	**3,173,729**	**3,107,513**	**3,177,762**	**(2.1%)**	**2.3%**	**0.1%**	**726,711**	**741,422**	**2.0%**
Water									
Saudi Basic Industries Corporation ("SABIC") and its subsidiaries	991,817	1,026,862	1,004,851	3.5%	(2.1%)	0.7%	223,506	227,296	1.7%
Saudi Aramco and its subsidiaries	676,914	689,050	718,129	1.8%	4.2%	3.0%	169,337	177,211	4.7%
Royal Commission for Jubail & Yanbu ("Royal Commission")	51,041	52,364	54,164	2.6%	3.4%	3.0%	11,897	10,359	(12.9%)

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Saudi Electricity Company	55	38	76	(30.9%)	100.0%	17.6%	33	32	(3.0%)
Saline Water Conversion Corporation	587,672	601,556	600,300	2.4%	(0.2%)	1.1%	142,579	153,871	7.9%
Others	489,090	527,765	520,399	7.9%	(1.4%)	3.2%	121,264	122,257	0.8%
Total	2,796,589	2,897,635	2,897,919	3.60%	0. 0%	1.8%	668,616	691,026	2.0%
Natural Gas Distribution Co.	31,755	38,175	64,379	20.2%	68.6%	42.4%	20,027	20,068	0.2%
Adjustments	105,768	48,241	52,227	(54.4%)	8.3%	(29.7%)	6,820	9,509	39.4%
Total (MARAFIQ)	6,107,841	6,091,564	6,192,287	(0.3%)	1.7%	0.7%	1,422,174	1,462,025	2.8%
As a percentage of total revenue									
Saudi Basic Industries Corporation ("SABIC") and its subsidiaries	25.9%	26.0%	24.7%	0.1	(1.3)	(1.2)	24.9%	23.7%	(1.2)
Saudi Aramco and its subsidiaries	20.2%	19.2%	20.5%	(1.0)	1.3	0.3	21.1%	21.4%	0.3
Royal Commission for Jubail & Yanbu ("Royal Commission")	2.0%	2.0%	2.0%	0.0	0.0	0.0	1.8%	1.7%	(0.1)
Saudi Electricity Company	27.9%	26.9%	26.1%	(1.0)	(0.8)	(1.8)	25.9%	25.1%	(0,8)
المؤسسة العامة لتحلية المياه	9.6%	9.9%	9,7%	0,3	(0,2)	0,1	10.0%	10.5%	0,5
Others	14.4%	16.0%	16.9%	1.6	0.9	2,5	16.3%	17.6%	1.3

Source: Management information

The Group's revenue is largely concentrated with revenue generated from related parties, whereby power and water revenue were largely concentrated with revenue generated from shareholders and related parties, namely SABIC and its subsidiaries (which accounted for 25.9% in 2019G and 26.0% in 2020G, 24.7% in 2021G and 23.7% in the three-month period ending 31 March 2022G of the Group's total revenue), Saudi Aramco and its subsidiaries (which accounted for 20.2% in 2019G, 19.2% in 2020G, 20.5% in 2021G and 21.4% in the three-month period ending 31 March 2022G of the Group's total revenue), The Royal Commission for Jubail and Yanbu (which accounted for 2.0% in 2019G and 2020G and 2021G, and 1.7% in the three-month period ending 31 March 2022G), in addition to the Saudi Electricity Company (which accounted for 27.9% in 2019G, 26.9% in 2020G, 26.1% in 2021G and 25.1% in the three-month period ending 31 March 2022G of the Group's revenue). In addition, revenue from other clients relates mainly to industrial and residential clients not affiliated with the above related parties.

It is worth noting that revenue generated from related parties fluctuates over the historical period with the fluctuations in demand that depend on the needs of the related parties, which resulted in fluctuations in quantities sold while tariff rates remained stable over the same period.

2- Cost of revenue

Table (6.10): Cost of revenue by subsidiary for the fiscal years ending 31 December 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power and Water Utility Company for Jubail and Yanbu (“MARAFIQ”)	3,601,191	3,510,980	3,342,060	(2.5%)	(4.8%)	(3.7%)	802,800	792,349	(1.3%)
MARAFIQ Insurance Limited (“MIL”)	884	-	-	(100.0%)	N/A	0.0%	-	-	N/A
MARAFIQ Water and Power Supply Company (“TAWREED”)	2,599,168	2,587,153	2,568,451	(0.5%)	(0.7%)	(0.6%)	594,532	608,648	2.4%
MASA Services Company for Operation and Maintenance ("MASA")	427,283	437,441	409,460	2.4%	(6.4%)	(2.1%)	82,847	88,352	6.6%
Jubail Water and Power Company (“JWAP”)	122,730	134,172	148,876	9.3%	11.0%	10.1%	34,799	36,942	6.2%
Consolidation related adjustments*	(1,163,077)	(1,206,451)	(1,181,238)	3.7%	(2.1%)	0.8%	(281,184)	(285,745)	1.6%
Total	**5,588,179**	**5,463,295**	**5,287,609**	**(2.2%)**	**(3.2%)**	**(2.7%)**	**1,233,793**	**1,240,546**	**0.5%**

Source: Management information

* Adjustments relate to intercompany costs between subsidiaries that are eliminated at the consolidation of results.

For more information regarding the trading results of each subsidiary, refer to Section "The results of operations for the financial years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G for MASA Services Company for Operation and Maintenance (“**MASA**”), MARAFIQ Water and Power Supply Company (“**Tawreed**”), and Jubail Water and Power Supply Company (“**JWAP**”)" in this Prospectus.

Table (6.11): Cost of revenue by operating segment for the fiscal years ending 31 December 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power	1,411,687	1,364,730	1,256,004	(3.3%)	(8.0%)	(5.7%)	326,212	339,574	4.1%
Potable and process water	1,072,701	1,058,430	964,251	(1.3%)	(8.9%)	(5.2%)	216,285	221,742	2.5%
Potable and process water – SADARA	134,374	131,475	124,986	(2.2%)	(4.9%)	(3.6%)	22,162	22,098	(0.3%)
Wastewater (sanitary, industrial, irrigation)	419,420	375,539	416,658	(10.5%)	10.9%	(0.3%)	78,193	77,119	(1.4%)
Sea water cooling	424,849	428,343	412,938	0.8%	(3.6%)	(1.4%)	105,845	86,380	(18.4%)
Natural gas distribution	35,850	42,399	61,312	18.3%	44.6%	30.8%	15,753	19,366	22.9%
Tawreed / JWAP	2,063,693	2,052,904	2,046,390	(0.5%)	(0.3%)	(0.4%)	469,343	471,963	0.6%
Adjustments*	25,605	9,475	5,070	(63.0%)	(46.5%)	(55.5%)	-	2,304	N/A
Total	**5,588,179**	**5,463,295**	**5,287,609**	**(2.2%)**	**(3.2%)**	**(2.7%)**	**1,233,793**	**1,240,546**	**0.5%**

Source: Management information

* Relate to cost adjustments that cannot be allocated to a specific operating segment

Table (6.12): Cost of revenue by nature for the fiscal years ending 31 December 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth rate 2019G-2020G	Annual growth rate 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power and water costs	1,414,630	1,450,846	1,435,486	2.6%	(1.1%)	0.7%	340,830	361,940	6.2%
Fuel and chemical costs	1,453,729	1,420,679	1,413,853	(2.3%)	(0.5%)	(1.4%)	319,312	309,854	(3.0%)
Depreciation	1,318,239	1,333,168	1,137,181	1.1%	(14.7%)	(7.1%)	275,597	285,975	3.8%
Employees related costs	824,338	726,941	703,123	(11.8%)	(3.3%)	(7.6%)	160,960	160,481	(0.3%)
Operations and maintenance expenses	193,184	203,824	214,936	5.5%	5.5%	5.5%	48,541	54,881	13.1%
Repairs and maintenance	194,657	178,079	181,407	(8.5%)	1.9%	(3.5%)	34,650	34,116	(1.5%)

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth rate 2019G-2020G	Annual growth rate 2020G-2021G	Com-pound annual growth rate 2019G-2021G	Three-month period end-ing 31 March 2021G (Man-agement informa-tion)	Three-month period end-ing 31 March 2022G (Man-agement informa-tion)	31 March 2021G-2022G variance
Provision for slow-moving and obsolete inventories	11,347	11,532	25,162	1.6%	118.2%	48.9%	470	2,303	390.0%
Amortization of intangible assets	1,572	1,667	23,698	6.0%	1321.6%	288.3%	23,481	573	(97.6%)
Others	176,483	136,559	152,763	(22.6%)	11.9%	(7.0%)	29,952	30,423	1.6%
Total cost of revenue	**5,588,179**	**5,463,295**	**5,287,609**	**(2.2%)**	**(3.2%)**	**(2.7%)**	**1,233,793**	**1,240,546**	**0.5%**
As a percentage of revenue					**Percentage points**		**As a percentage of revenue**		**Percentage points**
Power and water costs	23.2%	23.8%	23.2%	0.6	(0.6)	0	24.0%	24.8%	0.8
Fuel and chemical costs	23.8%	23.3%	22.8%	(0.5)	(0.5)	(1)	22.5%	21.2%	(1.3)
Depreciation	21.6%	21.9%	18.4%	0.3	(3.5)	(3.2)	19.4%	19.6%	0.2
Employees related costs	13.5%	11.9%	11.4%	(1.6)	(0.6)	(2.1)	11.3%	11.0%	(0.3)
Operations and maintenance	3.2%	3.3%	3.5%	0.1	0.2	0.3	3.4%	3.8%	0.4
Repairs and maintenance	3.2%	2.9%	2.9%	(0.3)	0	(0.3)	2.4%	2.3%	(0.1)
Provision for slow-moving & obsolete inventories	0.2%	0.2%	0.4%	0	0.2	0.2	0.00%	0.2%	0.2
Amortization of intangible assets	0.0%	0.0%	0.4%	0	0.4	0.4	1.7%	0.0%	(1.7)
Others	2.9%	2.2%	2.5%	(0.7)	0.3	(0.4)	2.1%	2.1%	0
Total	91.5%	89.7%	85.4%	(1.8)	(4.3)	(6.1)	86.8%	84.9%	(1.9)
Average number of employees	1,679	1,487	1,408	(192)	(79)	(271)	1,370	1,353	(17)
Average monthly salary per employee (SAR)	17,121	18,179	19,240	6.2%	5.8%	6.0%	4,883	4,969	1.7%
Average monthly costs per employee (SAR)	40,914	40,739	41,615	(0.4%)	2.2%	0.9%	9,791	9,884	1.0%

Source: Consolidated audited financial statements for the fiscal year ending 31 December 2019G, 2020G and 2021G, and management information

Power and water costs

Power and water costs mainly comprised of (1) costs associated with power and water generation from JWAP which is later sold to the Saudi Electricity Company and Saline Water Conversion Corporation, and (2) desalinated water purchases from JWAP and Al-Fath to support potable and process water operations in Jubail.

Power and water costs increased by 2.6% from SAR 1,414.6 million in 2019G to SAR 1,450.8 million in 2020G, mainly due to the increase in desalinated water purchased by Al-Fath Company in line with the increase in demand during the same period.

Power and water costs decreased by 1.1% from SAR 1,450.8 million in 2020G to SAR 1,435.5 million in 2021G as a result of a decrease in the costs of desalinated water purchased by Al-Fath Company and JWAP in line with the decrease in demand from Saline Water Conversion Corporation, coupled with the decrease in power consumption by MARAFIQ as a result of activating the power wheeling agreement between MARAFIQ and the National Grid during the same period.

Power and water costs increased by 6.2% from SAR 340.8 million in the three-month period ending 31 March 2021G to SAR 361.9 million in the three-month period ending 31 March 2022G in line with the increase in operations and the increase in the overall activity of the Group's operating segments during the period.

Fuel and chemical costs

Fuel and chemicals costs relate largely to the different fuel types and gas for power and gas generation.

Fuel and chemical costs decreased by 2.3% from SAR 1,453.7 million in 2019G to SAR 1,420.7 million 2020G, mainly due to an unusual power outage in Yanbu as a result of the network interruption incident that occurred in 2020G which contributed to lower electricity expenses. It is worth noting, however, that the quantities sold were not affected by this event as a result of the availability of high capacity and low demand from customers during the same period.

Fuel and chemical costs decreased by 0.5% from SAR 1,420.7 million in 2020G to SAR 1,413.9 million in 2021G as a result of: (1) reversal of fuel handling expenses recorded in prior years which amounted to SAR 25.4 million in 2021G as these expenses were not mentioned in the agreement with Aramco, and accordingly, these expenses were reviewed, and the Group stopped recording any expenses related to fuel handling, and (2) a fire incident that occurred in 2021G which contributed to the decrease in fuel consumption, and (3) decrease in the quantities purchased and consumed by the Group, in line with the Group's needs during the same period.

Fuel and chemical costs decreased by 3.0% from SAR 319.3 million in the three-month period ending 31 March 2021G to SAR 309.9 million in the three-month period 31 March 2022G mainly due to the decrease in gas consumption during the period as a result of the decrease in electricity generation on the back of lower demand from the Saudi Electricity Company.

Depreciation

Depreciation charges increased by 1.1% from SAR 1,318.2 million in 2019G to SAR 1,333.2 million in 2020G mainly due to additions made by the Group to machinery, property and equipment amounting to SAR 711.1 million during the same period.

Depreciation charges decreased by 14.7% from SAR 1,333.2 million in 2020G to SAR 1,137.2 million in 2021G as a result of the change in the estimate of the useful life of property, plant and equipment after revaluation of the Group's assets where most categories were assigned a longer useful life (refer to property and equipment section to see the effect of a change in the depreciation rate on the value of property, plant and equipment).

Depreciation charges increased by 3.8% from SAR 275.6 million in the three-month period ending 31 March 2021G to SAR 286.0 million in the three-month period ending 31 March 2022G due to additions to machinery, property and equipment amounting to SAR 153.2 million during the same period.

Employee related costs

Employee related costs comprised of salaries and wages, allowances, benefits, bonuses, medical insurance, early retirement compensation amongst others.

Employee related costs decreased by 11.8% from SAR 824.3 million in 2019G to SAR 726.9 million in 2020G as a result of a decrease in the number of employees from 1,679 to 1,487 employees as a result of the cost-saving initiative implemented by the Group to enhance the organizational structure in 2018G whereby the company has tested a structural reorganization that includes an employee cost optimization plan, by offering early retirement packages to employees who meet specific criteria in order to reduce total employee costs and achieve greater operating efficiency during the same period.

Employee related costs decreased by 3.3% from SAR 726.9 million in 2020G to SAR 703.1 million in 2021G in line with the decrease in the number of employees from 1,487 to 1,408 employees as a result of the cost saving initiative implemented by the Group during the same period.

Employee related costs decreased by 0.3% from SAR 161.0 million in the three-month period ending 31 March 2021G to SAR 160.5 million in the three-month period ending 31 March 2022G due to the decrease in the number of employees by 17 employees, in addition to a decrease in bonuses due to the difference in accounting estimates related to the bonus provision.

Operating and maintenance expenses

Operating and maintenance expenses related to (i) MASA costs in connection with operations and maintenance of MARAFIQ's assets only (mainly water) and (ii) JOMEL which is the O&M company responsible for JWAP operations. Both MaSA and JOMEL services are based on contracts.

Operating and maintenance expenses increased by 5.5% from SAR 193.2 million in 2019G to SAR 203.8 million in 2020G in line with the company's operational plan during the same period.

Operating and maintenance expenses further increased by 5.5% from SAR 203.8 million in 2020G to SAR 214.9 million in 2021G in line with the company's operational plan.

Operating and maintenance expenses increased by 13.1% from SAR 48.5 million in the three-month period ending 31 March 2021G to SAR 54.9 million in the three-month period ending 31 March 2022G in line with the higher operating and maintenance costs that were incurred due to the operations of the new plant in Jazan during the same period.

Repair and maintenance

Repair and maintenance expenses relate to the repair of plant, equipment and machinery.

Repair and maintenance expenses decreased by 8.5% from SAR 194.7 million in 2019G to SAR 178.1 million in 2020G, in line with the company's operational plan during the same period.

Repair and maintenance expenses increased by 1.9% from SAR 178.1 million in 2020G to SAR 181.4 million in 2021G as a result of a fire incident that occurred in Yanbu, which contributed to the increase in repair and maintenance expenses. It is worth noting that the Group submitted an insurance claim amounting to SAR 19.5 million from the insurance company.

Repair and maintenance expenses decreased by 1.5% from SAR 34.7 million in the three-month period ending 31 March 2021G to SAR 34.1 million in the three-month period ending 31 March 2022G in line with the decrease in the Group's needs for maintenance and repair work, as these expenses mainly relate to the Group's maintenance needs.

Provision for slow-moving inventory

Provision for slow-moving inventories relates to provision for spare parts that aged for more than 3 years. The provision for slow-moving inventory is based on various factors including the inventory ageing, past and expected future use and assessment of the internal technical teams.

The provision increased by 1.6% from SAR 11.3 million in 2019G to SAR 11.5 million in 2020G mainly due to an inventory count that took place which identified additional slow moving inventory items that led to the increase in provision booked during the same period.

The provision further increased by 118.2% from SAR 11.5 million in 2020G to SAR 25.2 million in 2021G mainly due to an inventory count that took place which identified additional slow moving inventory items that led to the increase in provision booked during the same period.

The provision increased by 390.0% from SAR 470 thousand in the three-month period ending 31 March 2021G to SAR 2.3 million in the three-month period ending 31 March 2022G mainly due to an inventory count that took place which identified additional slow moving inventory items that led to the increase in provision booked during the same period.

Amortization of intangible assets

Amortization of intangible assets mainly relates to the software licenses.

Amortization of intangible assets expenses increased by 6.0% from SAR 1.6 million in 2019G to SAR 1.7 million in 2020G, as a result of additions to intangible assets related to computer licenses on the back of the commencement of operations in two new water treatment plants during the period.

Amortization of intangible assets expenses increased by 1,321.6% from SAR 1.7 million in 2020G to SAR 23.7 million in 2021G, mainly due to the amortization of previously capitalized licenses amounting to SAR 36.0 million related to the two new water treatment plants.

Amortization of intangible assets expenses decreased by 97.6% from SAR 23.5 million in the three-month period ending 31 March 2021G to SAR 573 thousand in the three-month period ending 31 March 2022G as a result of a bulk amortization expense recorded in the three-month period ending 31 March 2021G on capitalized licenses whereby the ownership of these assets were not transferred to the Group from the Royal Commission for Jubail and Yanbu.

Other

Other expenses mainly relate to service contracts, insurance expenses, and government fees, among other expenses.

Other expenses decreased by 22.6% from SAR 176.5 million 2019G to SAR 136.6 million in 2020G mainly driven by the decrease in service contract expenses due to the impact of the COVID-19 pandemic.

Other expenses increased by 11.9% from SAR 136.6 million in 2020G to SAR 152.8 million in the 2021G as a result of the increase in insurance expenses due to the fire accident that occurred in one of the Group's facilities, in addition to an increase in the expenses of employee training and service contracts during the same period.

Other expenses increased by 1.6% from SAR 30.0 million in the three-month period ending 31 March 2021G to SAR 30.4 million in the three-month period ending 31 March 2022G as a result of the increase in government fees during the same period.

3- Gross profit

Table (6.13): Gross profit by subsidiary for the fiscal years ending 31 December 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Power and Water Utility Company for Jubail and Yanbu ("MARAFIQ")	251,439	342,803	631,161	36.3%	84.1%	58.4%	108,747	149,049	37.1%
MARAFIQ Insurance Limited ("MIL")	7,444	14,445	5,894	94.1%	(59.2%)	(11.0%)	93	2,120	2,179.6%
MARAFIQ Water and Power Supply Company ("TAWREED")	7,921	3,311	4,175	(58.2%)	26.1%	(27.4%)	987	2,122	115.0%
MASA Services Company for Operation and Maintenance ("MASA")	81,036	95,577	102,555	17.9%	7.3%	12.5%	40,440	23,588	(41.7%)
Jubail Water and Power Company ("JWAP")	219,582	204,858	181,915	(6.7%)	(11.2%)	(9.0%)	43,525	46,045	5.8%
Consolidation related adjustments*	(47,760)	(32,725)	(21,022)	(31.5%)	(35.8%)	(33.7%)	(5,411)	(1,445)	(73.3%)
Total	**519,662**	**628,269**	**904,678**	**20.9%**	**44.0%**	**31.9%**	**188,381**	**221,479**	**17.6%**

Source: Management information

* Adjustments relate to intercompany costs between subsidiaries that are eliminated at the consolidation of results

Table (6.14): Gross profit by operating segment for the fiscal years ending 31 December 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Potable and process water	(14,751)	30,075	113,459	(303.9%)	277.3%	N.A	30,099	37,192	23.6%
Wastewater (sanitary, industrial, irrigation)	(116,896)	(64,014)	(105,347)	(45.2%)	64.6%	(5.1%)	(3,726)	(1,446)	(61.2%)
Sea water cooling	64,484	91,609	107,687	42.1%	17.6%	29.2%	7,082	19,879	180.7%
Adjustments*	79,235	30,082	33,045	(62.0%)	9.8%	(35.4%)	11,339	11,115	(2.0%)
Total profit of water sector (without SADARA)	**12,072**	**87,752**	**148,844**	**626.9%**	**69.6%**	**251.1%**	**44,794**	**66,740**	**49.0%**
Potable and process water - SADARA	**224,736**	**244,623**	**262,988**	**8.8%**	**7.5%**	**8.2%**	**70,098**	**74,192**	**5.8%**
Power	**119,873**	**122,812**	**320,254**	**2.50%**	**160.80%**	**63.50%**	**32,924**	**33,632**	**2.1%**
Natural Gas Distribution	**(2,932)**	**(2,321)**	**4,988**	**(20.8%)**	**(314.9%)**	**N.A**	**(719)**	**555**	**(177.1%)**
TAWREED / JWAP	**191,518**	**184,879**	**172,675**	**(3.5%)**	**(6.6%)**	**(5.0%)**	**41,284**	**48,664**	**17.90%**
Settlements**	**(25,605)**	**(9,476)**	**(5,071)**	**(63.0%)**	**(46.5%)**	**(55.5%)**	**-**	**(2,304)**	**N.A**
Total	**519,662**	**628,269**	**904,678**	**20.9%**	**44.0%**	**31.9%**	**188,381**	**221,479**	**17.60%**
Key performance indicators									
Gross profit margin									
Potable and process water	(1.4%)	2.8%	10.5%	4.2	7.7	11.9	12.2%	14.4%	2.1
Wastewater (sanitary, industrial, reclaimed)	(38.6%)	(20.5%)	(33.8%)	18.1	(13.3)	4.8	(5.0%)	(1.9%)	3.1
Sea water cooling	13.2%	17.6%	20.7%	4.4	3.1	7.5	6.3%	18.7%	12.4
Water sector (without SADARA)	**0.6%**	**4.5%**	**7.7%**	**3.9**	**3.2**	**7**	**10.1%**	**14.8%**	**4.7**
	7.7%	**3.9**	**3.2**	**7.1**	**10.1%**	**14.8%**	**4.7**	**77.1%**	**1.1**
Potable and process water - SADARA	**62.6%**	**65.0%**	**67.8%**	**2.4**	**2.8**	**5.2**	**76.0%**	**77.1%**	**1.1**
Power	**7.8%**	**8.3%**	**20.3%**	**0.5**	**12.0**	**12.5**	**9.2%**	**9.0%**	**(0.2)**
Natural Gas Distribution	**(8.9%)**	**(5.8%)**	**7.5%**	**3.1**	**13.3**	**16.4**	**(4.8%)**	**2.8%**	**7.6**
TAWREED / JWAP	**8.5%**	**8.3%**	**7.8%**	**(0.2)**	**(0.5)**	**(0.7)**	**8.1%**	**9.3%**	**1.3**

Source: Management information

* These adjustments relate to management-recorded adjustments to the water sector revenue that cannot be traced or correlated with a specific water sub-sector and are presented in aggregate.

** Settlements relate to certain costs that cannot be allocated to specific segments given their nature.

Potable and process water

Potable and process water gross profit increased from a loss of SAR 14.8 million in 2019G to a profit of SAR 30.1 million in 2020G (gross margin of 2.8% in 2020G), mainly due to the increase in the quantities sold from 159,449,193 cubic meter to 164,869,679 cubic meter as a result of the increase in demand from industrial and government clients in Jubail, coupled with the decrease in employee costs in the potable and process water sector by SAR 74.0 million as a result of the cost optimization initiative implemented by the Group to reduce the number of employees.

Potable and process water gross profit further increased by 277.3% from SAR 30.1 million in 2020G to SAR 113.5 million in 2021G (gross profit margin increased to 10.5% in 2021G) mainly driven by the decrease in depreciation expense as a result of the impact of the revaluation of the useful life of the fixed assets, coupled with the decrease in employee costs as a result of the cost optimization initiative implemented by the Group to reduce the number of employees, and the decrease in operating and maintenance expenses due to the decrease in the value of operation and maintenance contracts, as these contracts depend on the number and volume of maintenance work that was carried out during the same period.

Potable and process water gross profit increased by 23.6% from SAR 30.1 million in the three-month period ending 31 March 2021G to SAR 37.2 million in the three-month period ending 31 March 2022G (gross profit margin increased from 12.2% to 14.4%) mainly driven by the increase in the quantities sold from 36,747,457 cubic meter to 39,071,356 cubic meter as a result of the high demand in Jubail and Yanbu, in addition to the incremental revenue in the Ras Al-Khair area due to the supply agreement signed between the Group and the Saline Water Conversion Corporation to supply water in the Ras Al-Khair region. It is worth mentioning that the operations in Ras Al-Khair incur lower cost than other regions due to the absence of a factory or plant for operation, as the Group operates in this area as a reserve in case of shortage and need.

Wastewater (sanitary, industrial, irrigation)

Wastewater loss decreased by 45.2% from SAR 116.9 million in 2019G to SAR 64.0 million in 2020G (gross loss margin dropped from 38.6% to 20.5%) due to an increase in wastewater revenue in line with the increase in quantities sold as a result of the higher demand during the period, coupled with the decrease in employee costs by SAR 33.3 million in line with the cost optimization initiative implemented by the Group to reduce the number of employees., and a decrease in operating and maintenance expenses due to the decrease in the value of operation and maintenance contracts as these contracts depend on the number and volume of maintenance work that was carried out during the period. This was offset by an increase in fuel and chemical expenses by SAR 12.0 million due to the increased use of gas as fuel during the same period.

Wastewater loss increased by 64.6% from SAR 64.0 million in 2020G to SAR 105.3 million in 2021G (gross loss margin increased to 33.8%) as a result of the increase in employee costs, the increase in operating and maintenance costs in line with the increase in the quantities sold as these costs fluctuate with the volumes, and the increase in power and water costs due to the increase in outsourcing costs during the same period.

Wastewater loss decreased by 61.2% from SAR 3.8 million in the three-month period ending 31 March 2021G to SAR 1.4 million in the three-month period ending 31 March 2022G (gross loss margin decreased from 5.0% to 1.9%) mainly driven by the decrease in wastewater costs coupled with the increase in the average selling price from SAR 2.07 to SAR 2.14 as a result of the change in the client mix during the same period.

Sea water cooling

Sea water cooling gross profit increased by 316.0% from SAR 64.5 million in 2019G to SAR 91.6 million in 2020G (gross profit margin increased from 13.2% to 17.6%) mainly driven by the increase in quantities sold from 7,751,318,378 cubic meter to 8,237,822,710 cubic meter driven by the increase in the quantities sold in Jubail and Yanbu in line with the high demand and consumption from industrial clients, in addition to the decrease in employee costs in line with the cost optimization initiative implemented by the Group to reduce the number of employees, coupled with lower operating and maintenance expenses due to the decrease in the value of operation and maintenance contracts, as these contracts depend on the number and volume of maintenance work that was carried out during the period.

Sea water cooling gross profit further increased by 17.6% from SAR 91.6 million in 2020G to SAR 107.7 million in 2021G (gross profit margin increased to 20.7%) as a result of the decrease in power and water costs due to the power wheeling agreement between the Group and the National Grid, coupled with lower employee costs in line with the cost optimization initiative implemented by the Group to reduce the number of employees during the same period.

Sea water cooling gross profit increased by 180.7% from SAR 7.1 million in the three-month period ending 31 March 2021G to SAR 19.9 million in the three-month period ending 31 March 2022G (gross profit margin increased from 6.3% to 18.7%), mainly due to the lower power and water costs incurred in line with the power transmission agreement between Jubail and Yanbu (power wheeling agreement), which contributed to power and water costs savings due to lower purchases from Jubail during the same period.

Potable and process water - SADARA

SADARA potable and process water gross profit increased by 8.8% from SAR 224.7 million in 2019G to SAR 244.6 million in 2020G (gross profit margin increased from 62.6% to 65.0%) as a result of the increase in the average selling price from SAR 10.3/cubic meter to SAR 10.7/cubic meter, as Sadara tariffs are indexed and determined based on local and international indicators, in addition to a decrease in operating and maintenance costs by SAR 3.2 million as a result of the decrease in the value of operation and maintenance contracts as these contracts depend on the number and volume of maintenance work that was carried out during the period.

SADARA potable and process water gross profit increased by 7.5% from SAR 244.6 million in 2020G to SAR 263.0 million in 2021G (gross profit margin increased to 67.8%) as a result of an increase in revenue by SAR 11.9 million in line with the increase in the quantities sold and the increase in the average selling price of SADARA to SAR 11.3/cubic meter.

SADARA potable and process water gross profit increased by 5.8% from SAR 70.1 million in the three-month period ending 31 March 2021G to SAR 74.2 million in the three-month period ending 31 March 2022G (gross profit margin increased from 76.0% to 77.1%), in line with the increase in the quantities sold and the increase in the average selling price of SADARA from SAR 12.20/cubic meter to SAR 12.87/cubic meter during the same period.

Power

Power gross profit increased by 2.5% from SAR 119.9 million in 2019G to SAR 122.8 million in 2020G (gross profit margin increased from 7.8% to 8.3%) as a result of a decrease in employee costs by SAR 36.0 million driven by the employee cost optimization implemented by the Group to reduce the number of employees, in addition to the decrease in power and water costs as a result of the decrease in production due to the decrease in demand during the same period.

Power gross profit increased by 160.8% from SAR 122.8 million in 2020G to SAR 320.3 million in 2021G (gross profit margin increased to 20.3%) driven by the increase in revenue during the same period as a result of the increase in quantities sold in line with the higher demand and consumption from customers, coupled with the decrease in depreciation charges which contributed to the increase in the segment's profitability during the same period.

Power gross profit increased by 2.1% from SAR 32.9 million in the three-month period ending 31 March 2021G to SAR 33.6 million in the three-month period ending 31 March 2022G (gross profit margin decreased from 9.2% to 9.0%), mainly due to the increase in the quantities sold driven by the new operations in Jazan which commenced in the first half of 2021G. This was offset by the high power and water costs incurred due to the new operations in Jazan, in addition to the higher fuel and chemical expenses in line with the increase in operations and the volumes sold during the same period.

Natural gas distribution

During the historical period, the average selling price per unit sold exceeded the average cost per unit purchased, however it was not enough to cover the additional indirect overhead costs in 2019G and 2020G that included employee relates costs, operating and maintenance expenses, among other expenses. Consequently, this resulted in a total loss for the natural gas distribution segment in 2019G and 2020G.

In 2021G, the volumes sold increased from 5,988,188 mmbtu in 2020G to 10,098,736 mmbtu in 2021G as a result of the increased demand from existing and new customers, which resulted in higher absorption of fixed costs, and thus resulted in a gross profit amounting to SAR 5.0 million and a gross profit margin of 7.5%.

Natural gas distribution gross profit increased from a loss of SAR 719 thousand in the three-month period ending 31 March 2021G to a profit of SAR 555 thousand in the three-month period ending 31 March 2022G, mainly due to the increase in volumes sold from 3,141,417 mmbtu to 3,147,887 mmbtu as a result of the increase in demand from customers during the same period.

Tawreed / JWAP

Tawreed / JWAP gross profit decreased by 3.5% from SAR 191.5 million in 2019G to SAR 184.9 million in 2020G (gross profit margin decreased from 8.5% to 8.3%) in line with the decrease in revenue, partially offset by the decrease in fuel and chemical costs by SAR 43.6 million as a result of the decrease in volumes sold during the same period.

Tawreed / JWAP gross profit decreased by 6.6% from SAR 184.9 million in 2020G to SAR 172.7 million in 2021G (gross profit margin dropped to 7.8%) in line with the decrease in revenue as a result of the decrease in volumes sold to the Saudi Electricity Company. It is worth noting that part of JWAP's revenue is charged to selling parties (through Tawreed company) includes a fixed installment amount, this amount is used to settle the loan that JWAP obtained (which was used to construct its facilities). The premium includes a variable income portion that affects the profitability of the Group. The premium is transferred to income during the term of the contract, with most profits recognized at the start of the contract.

Tawreed / JWAP gross profit increased by 17.9% from SAR 41.3 million in the three-month period ending 31 March 2021G to SAR 48.7 million in the three-month period ending 31 March 2022G (gross profit margin increased from 8.1% to 9.3%), due to an increase in the volumes sold to the Saline Water Conversion Corporation from 40,650,304 cubic meter to 43,027,276 cubic meter as a result of the increase in demand and consumption during the same period.

4- Administrative expenses

Table (6.15): Administrative expenses for the fiscal years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Employee related costs	82,529	66,414	60,724	(19.5%)	(8.6%)	(14.2%)	12,388	15,285	23.4%
Service contracts	13,828	15,498	16,308	12.1%	5.2%	8.6%	2,404	5,069	110.9%
Donations	15,660	14,335	11,222	(8.5%)	(21.7%)	(15.3%)	1,702	4,022	136.3%
Amortization of intangible assets	5,503	2,876	4,763	(47.7%)	65.6%	(7.0%)	599	1,042	74.0%
Depreciation	3,280	2,699	3,491	(17.7%)	29.3%	3.2%	654	943	44.2%
Provision for employee benefits	87,000	-	-	(100.0%)	-	(100.0%)	-	-	-
Others	28,667	44,977	48,488	56.9%	7.8%	30.1%	5,001	7,733	54.6%
Total	**236,467**	**146,799**	**144,996**	**(37.9%)**	**(1.2%)**	**(21.7%)**	**22,748**	**34,094**	**49.9%**
As a percentage of revenue					**Percentage points**		**As a percentage of revenue**		**Percentage points**
Staff costs	1.4%	1.1%	1.0%	(0.3)	(0.1)	(0.4)	0.9%	1.0%	0.1
Service contracts	0.20%	0.3%	0.3%	0.1	0.0	0.1	0.2%	0.3%	0.1
Donations	0.30%	0.20%	0.20%	(0.1)	0.0	(0.1)	0.1%	0.3%	0.2
Amortization	0.1%	0.0%	0.1%	(0.1)	0.1	0.0	0.0%	0.1%	0.1
Depreciation	0.1%	0.0%	0.1%	(0.1)	0.1	0.0	0.0%	0.1%	0.1
Provision for employee benefits	1.4%	0.0%	0.0%	(1.4)	0.0	(1.4)	0.0%	0.0%	N.A
Others	0.5%	0.7%	0.8%	0.2	0.1	0.3	0.4%	0.5%	0.1
Total	3.9%	2.4%	2.3%	(1.5)	(0.1)	(1.6)	1.6%	2.3%	0.7
Average number of employees	62	57	56	(5)	(1)	(6)	57	52	(5)
Average monthly salary per employee (SAR)	37,027	39,510	41,251	6.7%	4.4%	5.5%	9,931	11,454	7.4%
Average monthly costs per employee (SAR)	110,926	97,096	90,363	(12.5%)	(6.9%)	(9.7%)	72,444	97,974	35,2%

Source: Consolidated audited financial statements for the fiscal year ending in 31 December 2019G, 2020G and 2021G and management information

Employee related costs

Employee related costs consists of salaries, allowances, benefits and bonuses, medical insurance expenses, early retirement compensation among other.

Employee related costs decreased by 19.5% from SAR 82.5 million in 2019G to SAR 66.4 million in 2020G in line with the decrease in the number of employees from 62 to 57 employees due to the cost saving initiative implemented by the Group to enhance the organizational structure of employees during the same period.

Employee related costs further decreased by 8.6% from SAR 66.4 million in 2020G to SAR 60.7 million in 2021G as a result of the decrease in technical expenses provided by MASA, in addition to the decrease in bonuses paid and the decrease in the number of employees by 1 employee during the same period.

Employee related costs increased by 23.4% from SAR 12.4 million in the three-month period ending 31 March 2021G to SAR 15.3 million in the three-month period ending 31 March 2022G as a result of the increase in the average monthly salary per employee from SAR 9.9 thousand to SAR 11.5 thousand during the same period.

Service contracts

Service contracts relate to information technology support contracts with a third party.

Service contracts increased by 12.1% from SAR 13.8 million in 2019G to SAR 15.5 million in 2020G, mainly due to the increase in the number of new contracts to support information systems in line with the improvement of the Group's reporting system during the same period.

Service contracts increased by 5.2% from SAR 15.5 million in 2020G to SAR 16.3 million in 2021G as a result of the increase in the Group's consulting expenses related to the Group's initial public offering.

Service contracts increased by 110.9% from SAR 2.4 million in the three-month period ending 31 March 2021G to SAR 5.1 million in the three-month period ending 31 March 2022G as the Group entered new additional contracts.

Donations

Donations relate to contributions for the establishment of a new institution and national power academy, along with charity donations for new projects, entertainment, and educational programs, among others. It is worth noting that the Group donates 20.0% of the project's costs of the National Energy Academy.

Donations decreased by 8.5% from SAR 15.7 million in 2019G to SAR 14.3 million in 2020G driven by the absence of significant donation payments besides what was donated to the Ministry of Health in 2020G in light of the COVID-19 pandemic.

Donations decreased by 21.7% from SAR 14.3 million in 2020G to SAR 11.2 million in 2021G driven by exceptional donations paid to the Ministry of Health in 2020G in light of the COVID-19 pandemic.

Donations increased by 136.3% from SAR 1.7 million in the three-month period ending 31 March 2021G to SAR 4.0 million in the three-month period ending 31 March 2022G as donation payments are highly dependent on timing of donations as these are paid at management's discretion to charities depending on their needs.

Amortization of intangible assets

The amortization expense of intangible assets classified under general and administrative expenses relates to computer software licenses such as SAP and others.

Amortization expenses decreased by 47.7% from SAR 5.5 million in 2019G to SAR 2.9 million in 2020G, mainly due to assets that were fully amortized during the same period.

Amortization expenses increased by 65.6% from SAR 2.9 million in 2020G to SAR 4.8 million in 2021G as a result of additions related to improvements to the SAP program during the same period.

Amortization expenses increased by 74.0% from SAR 599 thousand in the three-month period ending 31 March 2021G to SAR 1.0 million in the three-month period ending 31 March 2022G as a result of the delay in recognition of amortization expense in prior periods related to assets to which ownership was not transferred to the Group from the Royal Commission for Jubail and Yanbu until the three-month period ending 31 March 2022G.

Depreciation

Depreciation expense relates to depreciation expense of fixed assets classified under administrative expenses.

Depreciation expenses decreased by 17.7% from SAR 3.3 million in 2019G to SAR 2.7 million in 2020G mainly due to a decrease in the depreciation of the rented residential units.

Depreciation expenses increased by 29.3% from SAR 2.7 million in 2020G to SAR 3.5 million in 2021G due to the increase in the number of rented residential units for employees during the period.

Depreciation expenses increased by 44.2% from SAR 654 thousand in the three-month period ending 31 March 2021G to SAR 943 thousand in the three-month period ending 31 March 2022G mainly due to additions to machinery, property and equipment, which amounted to SAR 153.2 million.

Provision for employee benefits

In 2018G, the company tested a structural reorganization that includes an employee cost improvement plan, by offering early retirement packages to employees who meet specific criteria in order to reduce total employee costs and increase operation efficiency.

This provision represents the company's best estimate of the expected costs as of the date of the consolidated financial statements. The provision amounted to SAR 87.0 million in 2019G and decreased to nil in the 2020G and 2021G, as in 2020G the Group paid SAR 97.1 million in early retirement packages, hence incurring an additional SAR 10.1 million that were not previously provided for and recorded within employee related costs under cost of revenue.

Other

Others mainly related to professional service audit fees, consulting expenses, rent of motor vehicles, operations and maintenance, catering services, board of directors meeting fees, promotions and exhibitions.

Other expenses increased at a compound annual growth rate of 30.1% from SAR 28.7 million in 2019G to SAR 48.5 million in 2021G mainly due to the increase in provision taken against an insurance claim related to the fire incident.

Other expenses increased by 54.6% from SAR 5.0 million in the three-month period ending 31 March 2021G to SAR 7.7 million in the three-month period ending 31 March 2022G mainly due to the increase in provision taken against the insurance claim related to the fire incident.

5- Other operating income

Table (6.16): Other operating profits for the fiscal years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
SEC margin	174,752	163,820	157,724	(6.3%)	(3.7%)	(5.0%)	34,692	29,453	(15.1%)
Vendor penalties	4,537	8,485	51,917	87.0%	511.9%	238.3%	2,950	1,980	(32.9%)
Gain on sale of scrap	-	73	11,755	N.A	16002.7%	N.A	6,480	66	(99.0%)
Tariff differential income	265,482	-	-	(100.0%)	N.A	(100.0%)	-	-	N.A
Others	-	49,923	24,178	N.A	(51.6%)	N.A	(104)	(2,457)	226.5%
Total	**444,771**	**222,301**	**245,574**	**(50.0%)**	**10.5%**	**(25.7%)**	**44,018**	**29,041**	**(34.0%)**

Source: Consolidated audited financial statements for the fiscal year ending 31 December 2019G, 2020G and 2021G, and management information

Saudi Electricity Company margin

SEC margin represents the compensation received from the Saudi Electricity Company for selling the entire power produced by JWAP, as per the Independent Water and Power Plant ("IWPP") agreement. This is equal to SAR 0.0075/KWH sold by Tawreed/JWAP to the Saudi Electricity Company.

The Saudi Electricity Company margin decreased by 6.3% from SAR 174.8 million in 2019G to SAR 163.8 million in 2020G and by 3.7% to reach SAR 157.7 million in 2021G in line with the decrease in volumes sold to the Saudi Electricity Company from 23,300,288 TKWH to 21,842,724 TKWH and then to 21,029,804 TKWH as a result of the decrease in demand during the same period.

The Saudi Electricity Company margin decreased by 15.1% from SAR 34.7 million in the three-month period ending 31 March 2021G to SAR 29.5 million in the three-month period ending 31 March 2022G, in line with the decrease in the volumes sold to the Saudi Electricity Company from 4,626 TKWH to 3,927 TKWH during the same period.

Vendor penalties

Vendor penalties relate to penalty fees imposed on suppliers and contractors due to delays in the delivery of required materials.

Vendor penalties increased by 87.0% from SAR 4.5 million in 2019G to SAR 8.5 million in 2020G, mainly due to the increase in purchases from suppliers and the increase in operations, which led to increased delay in the delivery of materials by suppliers, still in line with the norms of the business.

Vendor penalties increased by 511.9% from SAR 8.5 million in 2020G to SAR 51.9 million in 2021G as a result of a penalty on a particular supplier regarding a case related to penalty from one of the contractors in relation to the HOP who has filled bankruptcy and consequently the Company has encashed the bank guarantee on breach of the contractual terms.

Vendor penalties decreased by 32.9% from SAR 3.0 million in the three-month period ending 31 March 2021G to SAR 2.0 million in the three-month period ending 31 March 2022G in line with the decrease in delays and penalties imposed on suppliers as the supplier's commitment to delivery times improved during the same period.

Gain on sale of scrap

Gain on sale of scrap relates to the disposal of spare parts.

Gain on sale of scrap amounted to SAR 73 thousand in 2020G and SAR 11.8 million in 2021G.

Gain on sale of scrap amounted to SAR 6.5 million in the three-month period ending 31 March 2021G and decreased to SAR 66 thousand in the three-month period ending 31 March 2022G in line with the decrease in scrap volumes during the same period.

Tariff differential income

Tariff differential income relates to a tariff dispute between MARAFIQ and the Saudi Electricity Company that was settled in 2019G. The dispute between the two parties lasted a number of years, during which SEC was dealing with MARAFIQ as a commercial entity, hence charging them based on the higher commercial rate, while MARAFIQ was claiming that they should have been treated as an industrial customer, thus being charged the lower industrial rate. Following an intervention from the Ministry of Industry ("MoI"), whereby it confirmed MARAFIQ's status as an industrial entity, the two parties came to an agreement to settle the dispute by a retrospective adjustment on the invoices paid by MARAFIQ to SEC, resulting in a compensation of SAR 265.5 million from the latter.

Other

Other operating profit relates to miscellaneous income. Other operating profits amounted to SAR 49.9 million in 2020G and decreased by 51.6% to SAR 24.2 million in 2021G which includes on account of project savings shared between all shareholders of JWAP in accordance to their shareholding proportion.

The Group recorded losses in the three-month period ending 31 March 2021G and 31 March 2022G, amounting to SAR 104 thousand and SAR 2.5 million respectively, and related to various losses such as losses from the decrease in foreign exchange income and other miscellaneous losses.

6- Other operating expenses

Table (6.17): Other operating expenses for the fiscal years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Assets write-offs	7,377	31,637	3,817	328.9%	(87.9%)	(28.1%)	-	-	N.A
Others	4,751	5,063	5,596	6.6%	10.5%	8.5%	747	502	(32.8%)
Total	**12,128**	**36,700**	**9,413**	**202.6%**	**(74.4%)**	**(11.9%)**	**747**	**502**	**(32.8%)**

Source: Consolidated audited financial statements for the fiscal year ending 31 December 2019G, 2020G and 2021G, and management information

Assets write-offs

Assets write-offs increased by 328.9% from SAR 7.4 million in 2019G to SAR 31.6 million in 2020G due to (1) recognizing a SAR 30.0 million provision write-off of infrastructure assets with regards to the Yanbu Home Program, which should have been de-recognized and handed over to the Royal Commission in Jubail and Yanbu, in addition to a SAR 11.0 million provision write off in relation to a chlorine system in Yanbu (as a result of an environmental issue), partly offset by a reversal of SAR 5.6 million over-provision made in 2019G in relation to a fixed asset count.

Assets write-offs decreased by 87.9% from SAR 31.6 million in 2020G to SAR 3.8 million in 2021G in line with the decrease in assets written off in 2021G whereby the expenses of the assets written off represented losses on the disposal of fixed assets during the same period.

Others

Other operating expenses amounted to SAR 4.8 million in 2019G, SAR 5.1 million in 2020G, and SAR 5.6 million 2021G and related to delivery cost variations arising as a result of variation orders from contractors in excess of agreed amounts.

Other operating expenses decreased by 32.8% from SAR 747 thousand in the three-month period ending 31 March 2021G to SAR 502 thousand in the three-month period ending 31 March 2022G and relate to delivery cost variations arising as a result of variation orders from contractors in excess of agreed amounts.

7- Finance income

Table (6.18): Finance income for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Income on short term deposits	28,868	12,840	11,902	(55.5%)	(7.3%)	(35.8%)	2,318	4,656	100.9%
Unwinding of discount on HOP receivable	10,946	10,044	7,704	(8.2%)	(23.3%)	(16.1%)	2,511	1,926	(23.3%)
Total	**39,814**	**22,884**	**19,606**	**(42.5%)**	**(14.3%)**	**(29.8%)**	**4,829**	**6,582**	**36.3%**

Source: Consolidated audited financial statements for the fiscal year ending 31 December 2019G, 2020G and 2021G, and management information

Income on short term deposits

Income on short-term deposits decreased by 55.5% from SAR 28.9 million in 2019G to SAR 12.8 million in 2020G in line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia despite the increase in the volume of deposits that were invested by the Group during the same period.

Income on short-term deposits decreased by 7.3% from SAR 12.8 million in 2020G to SAR 11.9 million in 2021G line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia despite the increase in the volume of deposits that were invested by the Group.

Income on short-term deposits increased by 200.9% from SAR 2.3 million in the three-month period ending 31 March 2021G to SAR 4.7 million in the three-month period ending 31 March 2022G in line with the increase in the SIBOR rate in the Kingdom of Saudi Arabia during the same period.

Unwinding of discount on HOP receivable

The company has developed a home ownership program for employees, which provide qualified employees with the opportunity to purchase company-built residential units. Land and construction costs for the residential units are reimbursed by the employees over a period of up to 20 years. Ownership of the residential units is transferred to the employees when the amounts due are paid in full. This amount, carried at amortized cost, represents the cost of residential units sold to employees under the Employee Home Ownership Program.

An accounting review of the home ownership program for employees is done on each financial statement date. When the review process, a change arises in the discount rate assumptions for future payments, which leads to a change in the present value of future payments for the home ownership program for employees. These changes in the discount rate are amortized using the straight-line method in the consolidated statement of income.

The expenses resulting from the change in the discount rate amounted to SAR 10.9 million, SAR 10.0 million, and SAR 7.7 million in 2019G, 2020G and 2021G respectively. The expenses resulting from the change in the discount rate amounted to SAR 2.5 million and SAR 1.9 million over the three-month period ending 31 March 2021G and 2022G respectively.

8- Financing costs

Table (6.19): Financing costs for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
Finance costs on loans and borrowings	415,796	263,424	189,112	(36.6%)	(28.2%)	(32.6%)	48,811	48,071	(1.5%)
Amortization of transaction cost of bank loans and borrowings	112,039	34,811	30,786	(68.9%)	(11.6%)	(47.6%)	9,620	6,473	(32.7%)
Finance cost on lease liabilities	15,731	14,636	14,357	(7.0%)	(1.9%)	(4.5%)	3,740	3,800	1.6%
Others	1,649	2,025	2,263	22.8%	11.8%	17.1%	542	828	52.8%
Total	**545,215**	**314,896**	**236,518**	**(42.2%)**	**(24.9%)**	**(34.1%)**	**62,713**	**59,172**	**(5.6%)**

Source: Consolidated audited financial statements for the fiscal year ending 31 December 2019G, 2020G and 2021G, and management information

Finance costs on loans and borrowings

The Group has three Murabaha loans amounting to SAR 6,400.0 million from Saudi National Bank, Saudi British Bank and Banque Saudi Fransi. These loans bear financing charges at the Saudi Interbank Offered Rate (SIBOR) plus a margin. It is worth noting that in 2019G, all three Murabaha loans were restructured into one Murabaha loan with Banque Saudi Fransi to be repaid in full by 2034G with a grace period of 5 years starting from October 2019G, in addition, the Group has a loan from the Industrial Development Fund to finance the construction of some production facilities in the company and loans to JWAP Company related to project financing.

Financing costs on loans and borrowings decreased by 36.6% from SAR 415.8 million in 2019G to SAR 263.4 million in 2020G in line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia and the restructuring of the above-mentioned loans during the same period.

Financing costs on loans and borrowings decreased by 28.2% from SAR 263.4 million in 2020G to SAR 189.1 million in 2021G in line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia and the restructuring of the above-mentioned loans during the same period.

Financing costs on loans and borrowings decreased by 1.5% from SAR 48.8 million in the three-month period ending 31 March 2021G to SAR 48.1 million in the three-month period ending 31 March 2022G, mainly due to the partial repayment of the existing loans.

Amortization of transaction cost of bank loans and borrowings

The amortization expense for the cost of bank loans and borrowings decreased at a compound annual growth rate of 47.6% from SAR 112.0 million in 2019G to SAR 30.8 million in 2021G as a result of the restructuring of all three Murabaha loans.

The amortization expense for the cost of bank loans and borrowings decreased by 32.7% from SAR 9.6 million in the three-month period ending 31 March 2021G to SAR 6.5 million in the three-month period ending 31 March 2022G in line with the decrease in the balance of bank loans and borrowings during the same period.

Finance cost on lease liabilities

Financing cost on lease liabilities relates to lease commitments for the right of use assets owned by the company following the company's application of IFRS (16) in 2019G.

Financing cost on lease liabilities decreased by 7.0% from SAR 15.7 million in 2019G to SAR 14.6 million in the 2020G and by 1.9% to reach SAR 14.4 million in 2021G.

Financing cost on lease liabilities remained stable at approximately SAR 3.8 million in the three-month period ending 31 March 2021G and 2022G.

Other

Other financing costs relate to the expenses of issuing letters of credit, amounting to SAR 1.6 million, SAR 2.0 million, and SAR 2.3 million in 2019G, 2020G and 2021G respectively.

Other financing costs amounted to SAR 542 thousand and SAR 828 thousand in the three-month period ending 31 March 2021G and 2022G respectively.

9- Profit for the year / period

Table (6.20): Profit for the year / period for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2021G-2022G variance
Profit before Zakat and income tax	**210,437**	**372,059**	**781,653**	**76.8%**	**110.1%**	**92.7%**	**150,886**	**163,876**	**8.6%**
Zakat and income tax	2,606	(81,591)	(116,999)	(3230.9%)	43.4%	N.A	(46,659)	(20,928)	(55.1%)
Profit for the year / period	**213,043**	**290,468**	**664,654**	**36.3%**	**128.8%**	**76.6%**	**104,227**	**142,948**	**37.2%**
Items of other comprehensive income that will be reclassified to the income statement in subsequent periods:									
Share of profit / (loss) from hedges against joint operating arrangement cashflows, net of deferred taxes	(33,176)	(59,401)	80,394	79.0%	(235.3%)	N.A	-	-	N.A
Share of profit / (loss) from hedges against equity-accounted investments cashflows, net of deferred taxes	-	-	10,448	N.A	N.A	N.A	50,610	101,054	99.7%
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:									
Remeasurement gain / (loss) of defined benefit obligation, net of tax	2,610	(4,704)	6,107	(280.20%)	(229.80%)	N.A	-	-	N.A
Other comprehensive income / (loss) for the year / period	(30,566)	(64,105)	96,949	109.70%	(251.20%)	N.A	50,610	101,054	99.7%
Total comprehensive income for the year / period	**182,477**	**226,363**	**761,603**	**24.10%**	**236.50%**	**104.30%**	**154,837**	**244,002**	**57.6%**

Source: Consolidated audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G, and consolidated reviewed financial statements for the period ending 31 March 2022G, and management information

Profit for the year / period

Profit for the year increased by 36.3% from SAR 213.0 million in 2019G to SAR 290.5 million in 2020G (net profit margin increased from 3.5% to 4.8%) mainly due to: (1) the decrease in financing costs from SAR 545.2 million to SAR 314.9 million mainly driven by the decrease in the costs of financing long-term loans in line with the decrease in the SIBOR rates in the Kingdom of Saudi Arabia, 2) increase in gross profit from SAR 519.7 million to SAR 628.3 million as a result of the decrease in cost of revenue driven by the decrease in employee related costs in line with the decrease in number of employees following the cost saving initiative implemented by the Group to enhance the organizational structure, (3) decrease in general and administrative expenses from SAR 236.5 million to SAR 146.8 million as a result of the recording of a non-recurring provision related to employee cost optimization in 2019G. The increase in profits was offset by a decrease in other operating profits from SAR 444.8 million in 2019G to SAR 222.3 in 2020G due to a non-recurring income related to the tariff differential income which resulted from the settlement of the dispute the Saudi Electricity Company and amounted to SAR 265.5 million in 2019G.

Profit for the year further increased by 128.8% from SAR 290.5 million in 2020G to SAR 664.7 million in 2021G (net profit margin increased to 10.7%) mainly driven by an increase in gross profit by SAR 276.4 million due to the decrease in cost of revenue as a result of the decrease in depreciation charges because of the change in the estimate of the useful life of property, plant and equipment following the reassessment of the useful lives in 2019G. In addition, finance costs decreased due to the restructuring of the Murabaha loans and the decrease in financing costs for long-term loans in line with the decrease in the SIBOR rate in the Kingdom of Saudi Arabia.

The profit for the period increased by 37.2% from SAR 104.2 million in the three-month period ending 31 March 2021G to SAR 142.9 million in the three-month period ending 31 March 2022G (net profit margin increased from 7.3% to 9.8%) mainly due to the increase in gross profit by SAR 33.1 million as a result the increase in profitability of most of the Group's sectors (potable and process water profitability increased in line with the increase in revenue and decrease in operating expenses, potable and process water for SADARA increased as a result of the increase in revenue in line with the increase in the average selling price as a result of the indexation, MARAFIQ for Supply of Electricity and Water Company ("**Tawreed**") profitability increased as a result of the increase in revenue in line with the increase in the quantities sold to the Saline Water Conversion Corporation). The increase in profit is also driven by the decrease in zakat and income tax expenses by SAR 25.7 million in line with the decrease in provisions, coupled with the decrease in financing costs by SAR 3.5 million (driven by a decrease in amortization of transactions costs pertaining to loans and borrowings in line with the decrease in loans and borrowings balance over the same period due to repayments). The increase in profit for the period was offset by an increase in general and administrative expenses by SAR 11.3 million as a result of the increase in employee related costs due to the increase in average monthly employee cost, coupled with the increase in service contracts expenses in line with the increase in contracts concluded by the Group in information technology, and an increase in donations during the same period.

Other comprehensive income for the year / period

Other comprehensive income for the year / period relates to: (i) actuarial gains and losses resulting from remeasurement of employees' defined benefit obligations by independent actuaries using the projected credit method and taking into account the provisions of the Saudi Labor Law, (ii) the Group's share of profits and losses due to hedging against the cash flows of joint operations with Jubail Water and Power Company ("**JWAP**"), and (iii) the Group's share of profit / (loss) from hedges against equity-accounted investments cashflows, net of deferred taxes.

Other comprehensive loss increased by 109.7% from SAR 30.6 million (loss) in 2019G to SAR 64.1 million (loss) in 2020G mainly driven by the increase in the Group's share of losses from hedges against joint operating arrangement cashflows from SAR 33.2 million to SAR 59.4 million over the same period, coupled with the increase in remeasurement losses of defined benefit obligations from a gain amounting to SAR 2.6 million in 2019G to a loss amounting to SAR 4.7 million over the same period.

In 2021G, other comprehensive income amounted to SAR 96.9 million driven the decrease in the Group's share of losses from hedges against joint operating arrangement cashflows amounting to SAR 59.4 million in 2020G to a gain amounting to SAR 80.4 million in 2021G, coupled with the Group's share in gain from hedges against equity-accounted investments cashflows, net of deferred taxes amounting to SAR 10.4 million in 2021G. In addition, gain from remeasurement of defined benefit obligations increased from a loss amounting to SAR 4.7 million to a gain amounting to SAR 6.1 million in 2021G.

Other comprehensive income increased by 37.2% from SAR 50.6 million in the three-month period ending 31 March 2021G to SAR 101.1 million in the three-month period ending 31 March 2022G driven by the increase in the Group's share in gain from hedges against equity-accounted investments cashflows during the same period.

6.9.2 Consolidated balance sheet

Table (6.21): Consolidated Balance Sheet as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Property, plant and equipment	20,278,800	20,246,186	20,412,090	0.3%	20,278,403	(0.7%)
Intangible assets	8,808	5,208	9,619	4.5%	8,845	(8.0%)
Equity accounted investees	93	409	11,706	1021.9%	32,866	180.8%
Long term receivables and prepayments	409,448	322,300	272,418	(18.4%)	262,827	(3.5%)
Deferred tax assets	9,566	15,017	7,430	(11.9%)	3,528	(52.5%)
Total non-current assets	**20,706,715**	**20,589,120**	**20,713,263**	**0.0%**	**20,586,469**	**(0.6%)**
Inventories	278,008	312,534	273,539	(0.8%)	267,627	(2.2%)
Trade receivables	807,579	906,765	834,096	1.6%	967,295	16.0%
Prepayments and other current assets	596,824	482,273	384,155	(19.8%)	377,595	(1.7%)
Short-term deposits	36,000	1,226,300	1,422,000	528.5%	1,435,000	0.9%
Cash and cash equivalents	1,085,344	594,815	482,654	(33.3%)	636,566	31.9%
Total current assets	**2,803,755**	**3,522,687**	**3,396,644**	**10.1%**	**3,684,083**	**8.5%**
Total assets	**23,510,470**	**24,111,807**	**24,109,907**	**1.3%**	**24,270,552**	**0.7%**
Share capital	2,500,000	2,500,000	2,500,000	0.0%	2,500,000	0.0%
Statutory reserve	249,366	261,010	287,960	7.5%	287,960	0.0%
Retained earnings	4,190,765	4,334,889	4,834,430	7.4%	4,977,378	3.0%
Equity before fair value reserve for cash flow hedge of investees	**6,940,131**	**7,095,899**	**7,622,390**	**4.8%**	**7,765,338**	**1.9%**
Fair value reserve for cash flow hedge of investees	(102,745)	(162,146)	(71,304)	(16.7%)	29,750	(141.7%)
Equity attributable to equity holders of the parent company	**6,837,386**	**6,933,753**	**7,551,086**	**5.1%**	**7,795,088**	**3.2%**
Non-controlling interest	40,968	53,633	-	(100.0%)	-	N.A
Total equity	**6,878,354**	**6,987,386**	**7,551,086**	**4.8%**	**7,795,088**	**3.2%**
Bank loans and borrowings	9,278,671	8,976,169	8,617,965	(3.6%)	8,527,896	(1.0%)
Lease liabilities	2,955,765	3,111,884	2,865,048	(1.5%)	2,897,020	1.1%
Other non-current liabilities	2,169,064	2,346,593	2,752,632	12.7%	2,716,738	(1.3%)
Deferred tax liabilities	36,271	69,697	126,443	86.7%	133,826	5.8%
Total non-current liabilities	**14,439,771**	**14,504,343**	**14,362,088**	**(0.3%)**	**14,275,480**	**(0.6%)**
Current portion of bank loans and borrowings	275,688	456,657	361,066	14.4%	370,431	2.6%
Short term borrowings	-	-	-	NA	51,000	NA
Current portion of lease liabilities	365,258	721,248	367,330	0.3%	335,089	(8.8%)
Trade payables	607,479	584,693	612,327	0.4%	660,342	7.8%
Accrued expenses and other current liabilities	943,920	857,480	856,010	4.8%	783,122	(8.5%)
Total current liabilities	**2,192,345**	**2,620,078**	**2,196,733**	**0.1%**	**2,199,984**	**0.1%**
Total liabilities	**16,632,116**	**17,124,421**	**16,558,821**	**(0.2%)**	**16,475,464**	**(0.5%)**

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Total Equity and liabilities	**23,510,470**	**24,111,807**	**24,109,907**	**1.3%**	**24,270,552**	**0.7%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Table (6.22): Consolidated balance sheet as of 31 December 2019G, 2020G, and 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 30 March 2022G variance
Average days receivables outstanding (1)	58	53	53	(2)	56	5.7%
Average days inventory outstanding (2)	4	6	6	2	6	0.0%
Average days trade payables outstanding (3)	36	31	28	(9)	27	(3.6%)
Return on asserts (4)	1.0%	1.3%	3.0%	1.6	2.6%	(13.3%)
Return on equity (5)	2.7%	3.2%	10.1%	9.9	12.5%	23.8%
Debt to equity ratio (6)	1.9	1.9	1.6	-0.3	1.6	0.0%
Working capital	131,012	259,399	23,453	12.0%	169,053	620.8%
Working capital as a percentage of revenue	2.1%	4.3%	0.4%	0.7	2.9%	625.0%

Source: Management information

(1) The average receivable days has been calculated based on the average total receivables from net revenue * 365 days or 90 days for the 31 March 2022G period.

(2) The average days of inventory life were calculated on the basis of the average inventory after excluding spare parts from the net on fuel costs, chemicals, electricity and water costs, operating and maintenance costs * 365 days or 90 days for the 31 March 2022G period.

(3) The average payable days are calculated based on the average payables after excluding contractors' payable balances on fuel costs, chemicals, electricity and water costs, and operating and maintenance costs * 365 days or 90 days for the 31 March 2022G period.

(4) Return on assets has been calculated by dividing the net profit over the average total assets.

(5) Return on equity has been calculated by dividing net profit over average equity.

(6) The debt-to-equity ratio was calculated by dividing the debt balance over the average equity.

Non-current assets

Non-current assets decreased by 0.6% from SAR 20,706.7 million as of 31 December 2019G to SAR 20,589.1 million as of 31 December 2020G, due to a decrease in long term receivables and prepayments by SAR 87.1 million driven by the decrease in the outstanding balances from employees registered in the Home Ownership Program ("**HOP**") following the transfer of homes to employees who are no longer employed by the Group as part of the cost optimization initiative, coupled with the decrease in property, plant and equipment by SAR 32.6 million due to annual depreciation expenses amounting to SAR 1,335.9 million during the same period.

Non-current assets increased by 0.6% from SAR 20,589.1 million as of 31 December 2020G, to SAR 20,713.3 million as of 31 December 2021G, due to an increase in property, plant and equipment by SAR 165.9 million driven by additions recorded during the period amounting to SAR 1,354.6 million, coupled with the change in the estimated useful life of the assets, which resulted in a decrease in depreciation expenses. Based on an independent technical assessment and advice from the Parent Company's technical team along with the re-assessment conducted by the independent advisors, the estimated useful lives of most of the property, plant and equipment asset categories were deemed to be of a longer span and hence have been revised. This was offset by a decrease in long-term receivables and prepayments by SAR 49.9 million driven by the decrease in the outstanding balances from employees registered in the Home Ownership Program ("**HOP**") as a result of the transfer of homes to employees who are no longer employed by the Group as part of the cost optimization initiative. It is worth noting that property, plant and equipment comprised 98.3% of total non-current assets during the historical period.

Non-current assets decreased by 0.6% from SAR 20,713.3 million as of 31 December 2021G to SAR 20,586.5 million as of 31 March 2022G, mainly due to a decrease in property, plant and equipment by SAR 133.7 million driven by the depreciation expenses amounting to SAR 286.9 million, partially offset by additions amounting to SAR 153.2 million during the same period.

Current assets

Current assets increased by 25.6% from SAR 2,803.8 million as of 31 December 2019G to SAR 3,522.7 million as of 31 December 2020G mainly driven by the increase short-term deposits by SAR 1,190.3 million as a result of the rescheduling of lease payments (right to use assets) to the Royal Commission for Jubail and Yanbu, which led to a cash surplus that were placed as short-term deposits. In addition, trade receivables increased by SAR 99.2 million in line with the increase in revenue. This was offset by a decrease in the balance of cash and cash equivalents by SAR 490.5 million in line with the decrease in cash generated from operating activities and dividends payments that amounted to SAR 117.3 million in 2020G.

Current assets decreased by 3.6% from SAR 3,522.7 million as of 31 December 2020G to SAR 3,396.6 million as of 31 December 2021G mainly driven by the decrease in the balance of cash and cash equivalents by SAR 112.2 million mainly as a result of additions to property, plant and equipment and repayment of finance leases, in addition accounts receivable decreased by SAR 72.7 million driven by the collection of receivables from the Royal Commission in Jubail and Yanbu and the Saline Water Conversion Corporation. This was offset by an increase in short-term deposits by SAR 195.9 million in line with the increase in the company's investments in short-term deposits during the same period.

Current assets increased by 18.5% from SAR 3,396.6 million as of 31 December 2021G to SAR 3,684.1 million as of 31 March 2022G, as a result of the increase in cash and cash equivalents by SAR 153.9 million due to the increase in cash from operating activities by SAR 341.2 million coupled with the increase in trade receivables to SAR 967.3 million due to the increase in the balance of other receivables by SAR 153.5 million.

Equity

Equity increased by 1.6% from SAR 6,878.4 million as of 31 December 2019G to SAR 6,987.4 million as of 31 December 2020G driven by the increase in retained earnings by SAR 144.1 million as a result of total comprehensive income amounting to SAR 226.4 million during the same period.

Equity further increased by 8.1% from SAR 6,987.4 million as of 31 December 2020G, to reach SAR 7,551.1 million as of 31 December 2021G due to: (1) an increase in retained earnings by SAR 499.5 million, (2) a decrease in the fair value reserve for cash flow hedge of investees by SAR 90.8 million, and (3) the decrease in non-controlling interest to nil as of 31 December 2020G following the Group's acquisition of the remaining shares in MASA Operations and Maintenance Company ("**MASA**") during the same period.

Equity increased by 3.2% from SAR 7,551.1 million as of 31 December 2021G to SAR 7,795.1 million as of 31 March 2022G due to: (1) an increase in retained earnings by SAR 142.9 million, (2) an increase in the fair value reserve for cash flow hedge of investees by SAR 142.9 million.

Non-current liabilities

Non-current liabilities increased by 0.4% from SAR 14,439.8 million as of 31 December 2019G to SAR 14,504.3 million as of 31 December 2020G driven by the increase in other non-current liabilities by SAR 177.5 million as a result of the increase in deferred income following the receipt of assets for network connection coupled with the increase in lease liabilities by SAR 156.1 million as the Group signed the sixth lease agreement with the Royal Commission for Jubail and Yanbu during the same period.

Non-current liabilities decreased by 1.0% from SAR 14,504.3 million as of 31 December 2020G to SAR 14,362.1 million as of 31 December 2021G due to: (1) the decrease in bank loans and borrowings by SAR 358.2 million as a result of the settlement of a large balance of the Industrial Development Fund loan, and (2) the decrease in lease liabilities by SAR 246.8 million. This was offset by the increase in other non-current liabilities by SAR 406.0 million related to lease contracts in connection to assets transferred from the Royal Commission of Jubail and Yanbu, in addition to a finance lease agreement amounting to SAR 563 million which was not signed during the same period.

Non-current liabilities further decreased by 0.6% from SAR 14,362.1 million as of 31 December 2021G to reach SAR 14,275.5 million as of 31 March 2022G, due to: (1) the decrease in bank loans and borrowings by SAR 90.1 million as a result of the repayment of a large balance of the Industrial Development Fund loan, (2) a decrease in other non-current liabilities by SAR 35.9 million.

Current liabilities

Current liabilities increased by 19.5% from SAR 2,192.3 million as of 31 December 2019G to SAR 2,620.1 million as of 31 December 2020G due to the increase in the current portion of lease liabilities by SAR 356.0 million as the Group signed the sixth lease agreement with the Royal Commission of Jubail and Yanbu. Furthermore, the current portion of bank loans and borrowings increased by SAR 181.0 million due to the increase in the current portion of the Industrial Development Fund loan. The increase was partially offset by a decrease in accrued expenses and other current liabilities by SAR 86.4 million due to the decrease in accrued expenses as an exceptional provision related to employee cost optimization plan was recorded as of 31 December 2019G amounting to SAR 87 million.

Current liabilities decreased by 16.2% from SAR 2,620.1 million as of 31 December 2020G, to SAR 2,196.7 million as of 31 December 2021G driven by the decrease in lease liabilities by SAR 353.9 million due to repayments made by the Group, coupled with the decrease in bank loans and borrowings by SAR 95.6 million following the rescheduling of loans obtained from Banque Saudi Fransi.

Current liabilities increased by 0.1% from SAR 2,196.7 million as of 31 December 2021G to SAR 2,200.0 million as of 31 March 2022G due to the increase in the current portion of lease liabilities by SAR 9.4 million as the Group signed the sixth lease agreement with the Royal Commission for Jubail and Yanbu, in addition to an increase in trade payables by SAR 48.0 million.

10- Non-current assets

Table (6.23): Non-current assets as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 30 March 2022G variance
Property, plant and equipment	20,278,800	20,246,186	20,412,090	0.3%	20,278,403	(0.7%)
Intangible assets	8,808	5,208	9,619	4.5%	8,845	(8.0%)
Equity accounted investees	93	409	11,706	1021.9%	32,866	180.8%
Long term receivables and prepayments	409,448	322,300	272,418	(18.4%)	262,827	(3.5%)
Deferred tax assets	9,566	15,017	7,430	(11.9%)	3,528	(52.5%)
Total non-current assets	**20,706,715**	**20,589,120**	**20,713,263**	**0.0%**	**20,586,469**	**(0.6%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Property, Plant and Equipment

Table (6.24): Property, Plant and Equipment as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Land	394,011	377,398	362,233	(4.1%)	359,361	(0.8%)
Plant and machinery	11,374,908	10,859,685	10,469,129	(4.1%)	10,327,568	(1.4%)
Buildings, wells & civil infrastructure	1,996,331	2,316,159	2,334,705	8.1%	2,310,054	(1.1%)
Meters, pipe networks & lift stations	2,510,265	2,862,710	2,756,333	4.8%	2,698,209	(2.1%)
Power lines, cables, meters & networks	2,044,633	2,252,606	2,533,708	11.3%	2,509,463	(1.0%)
Common external facilities	51,299	46,291	41,787	(9.7%)	40,661	(2.7%)
Other equipment	173,056	249,449	310,396	33.9%	313,527	1.0%
Capital work–in-progress	1,734,297	1,281,888	1,603,799	(3.8%)	1,719,560	7.2%
Total	**20,278,800**	**20,246,186**	**20,412,090**	**0.3%**	**20,278,403**	**(0.7%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Table (6.25): Additions to non-current assets as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Land	21,050	-	-	N.A	-	N.A
Plant and machinery	32,368	12,157	9,558	(45.7%)	69	(99.3%)
Buildings, wells and civil infrastructure	11,500	55,449	80,198	164.1%	-	N.A
Meters, pipe networks and lift stations	71,103	503,907	118,318	29.0%	453	(99.6%)
Power lines, cables, meters and networks	391,329	113,109	357,900	(4.4%)	-	N.A
Common external facilities	-	-	-	N.A	-	N.A
Other equipment	48,893	26,439	75,911	24.6%	8,509	(88.8%)
Capital work – in-progress	561,466	577,540	712,667	12.7%	144,200	(79.8%)
Total	**1,137,709**	**1,288,601**	**1,354,552**	**9.1%**	**153,231**	**(88.7%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Table (6.26): Depreciation expense by asset as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Land	17,500	16,613	15,165	(6.9%)	2,872	(81.1%)
Machinery and equipment	834,299	830,204	620,335	(13.8%)	157,002	(74.7%)
Buildings, wells & civil infrastructure	100,048	108,510	98,704	(0.7%)	24,651	(75.0%)
Meters, pipe networks & lift stations	177,298	193,803	229,584	13.8%	58,577	(74.5%)
Power lines, cables, meters & networks	140,102	125,266	109,558	(11.6%)	26,913	(75.4%)
Common external facilities	5,008	5,008	4,504	(5.2%)	1,126	(75.0%)
Other equipment	47,264	56,463	62,822	15.3%	15,777	(74.9%)
Capital work – in-progress	-	-	-	N.A	-	N.A
Total	**1.321,519**	**1,335,867**	**1,140,672**	**(7.1%)**	**286,918**	**(74.8%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Table (6.27): Change in Depreciation Account using the Straight-Line Method:

Years	Useful life before 31 December 2020G	Useful life after 1 January 2021G
Machinery and equipment	12.5-20	25-30
Buildings, wells & civil infrastructure	12.5-33.3	10-40
Meters, pipe networks & lift stations	12.5-20	20-25
Power lines, cables, meters & networks	14.3-33.3	30-40
Common external facilities	20	20
Other equipment	3-10	3-25

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Table (6.28): Committed capital expenditures as of 31 December 2019G, 2020G, and 31 December 2021G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	31 March 2022G (Management information)
Committed capital related to Jubail projects	1,045,685	1,487,471	1,282,132	1,212,209
Committed capital related to Yanbu projects	462,350	472,620	553,690	643,964
Committed capital related to other projects	27,165	32,909	61,178	60,827
Total	**1,535,200**	**1,993,000**	**1897,000**	**1,917.000**

Source: Management information

As of 31 March 2022G, property plant and equipment comprised of assets received from the Royal Commission for Jubail and Yanbu in the form of signed lease obligations amounting to SAR 2,620 million and unsigned amounting to SAR 1,096 million, right of use assets (in accordance with IFRS16) amounting to SAR 361 million and other property plant and equipment amounting to SAR 16,202 million that are owned by the Group.

Property, plant and equipment amounted to SAR 20,412.1 million as of 31 December 2021G. It mainly consists of machinery and equipment amounting to SAR 10,469.1 million (which accounted 51.3% of total), meters, pipe networks & lift stations amounting to SAR 2,756.3 million, buildings, wells and infrastructure amounting to SAR 2,334.7 million, capital works in progress amounting to SAR 1,603.8 million, and lands amounting to SAR 362.2 million, other equipment amounting to SAR 310.4 million, and common external facilities amounting to SAR 41.8 million.

It is worth noting that property, plant, and equipment with a book value of SAR 4.802 million are subject to a first-degree mortgage and a second-degree mortgage as guarantee to the loans granted from the Saudi Industrial Development Fund.

In 2021G, the Group reviewed the estimated useful lives of property, plant and equipment. Based on an independent technical advisor's assessment and recommendation from the Company's technical team along with the validation conducted by the external auditors, the estimated useful lives of most of the property, plant and equipment asset classes were deemed to be of a longer span and hence have been revised.

Property, plant and equipment decreased to SAR 20,278.4 million as of 31 March 2022G, as depreciation expenses amounting to SAR 286.9 million, offset by additions amounting to SAR 153.2 million during the same period.

Lands

The book value of the lands amounted to SAR 362.2 million as of 31 December 2021G and SAR 359.4 million as of 31 March 2022G and pertained to the land used to construct pipelines for fuel delivery from the Aramco plant to JWAP. It is worth noting that the Group has right of use assets for seven lands that were leased from the Royal Commission for Jubail and Yanbu as a result of the adoption of IFRS 16.

Machinery and equipment

Machinery and equipment relate to power and water plants. The book value of machinery and equipment decreased by 4.5% from SAR 11,374.9 million as of 31 December 2019G to SAR 10,859.7 million as of 31 December 2021G due to depreciation amounting to SAR 830.2 million and disposals amounting to SAR 31.6 million. This was offset by transfers amounting to SAR 302.8 million from the capital work-in-progress and inventory account related to the preparation and installation of the Group's various machines and equipment.

Machinery and equipment decreased by 3.6% from SAR 10,859.7 million as of 31 December 2020G, to SAR 10,469.1 million as of 31 December 2021G, due to depreciation expenses amounting to SAR 620.3 million and disposals amounting to SAR 32.9 million, offset by transfers of SAR 231.5 million from the capital work-in-progress and inventory in connection with installation of plant and machinery for various facilities of the Group. Machinery and equipment decreased by 1.4% from SAR 10,469.1 million as of 31 December 2021G to SAR 10,327.6 million as of 31 March 2022G, due to depreciation expenses amounting to SAR 157.0 million. This was offset by transfers of SAR 15.4 million from the capital work-in-progress account during the same period.

Buildings, wells & civil infrastructure

Buildings, wells and civil infrastructure mainly relate to the Group's building and its infrastructure in connection to power and water generators and other civil infrastructure.

Buildings, wells and city infrastructure increased by 16.0% from SAR 1,996.3 million as of 31 December 2019G to SAR 2,316.2 million as of 31 December 2020G, driven by transfers amounting to SAR 372.9 million from the capital work-in-progress account mainly related to the transfer of homes to the home ownership program account under long term receivables, coupled with additions amounting to SAR 55.4 million. This was partially offset by depreciation expenses amounting to SAR 108.5 million. It is worth noting that buildings, wells and infrastructure include right of use assets amounting to SAR 10.8 million (adoption of IFRS 16).

Buildings, wells and city infrastructure increased by 0.8% from SAR 2,316.2 million as of 31 December 2020G, to reach SAR 2,334.7 million as of 31 December 2021G as a result of transfers amounting to SAR 40.9 million from the capital work-in-progress account primarily in relation to Home Ownership Program housing during the same period, coupled with additions amounting to SAR 80.2 million. This was partially offset by depreciation amounting to SAR 98.7 million.

It should be noted that the assets (i.e. homes) related to the Home Ownership Program (HOP) are transferred to buildings asset class and then transferred to long term receivables account within the same year and as such no depreciation expense regarding those assets was recorded on the Group's income statement. The Group has developed home ownership program for employees, which provide qualified employees with the opportunity to purchase the residential units constructed by the Group.

Buildings, wells and city infrastructure decreased by 1.1% from SAR 2,334.7 million as of 31 December 2021G to SAR 2,310.1 million as of 31 March 2022G, as a result of the depreciation amounting to SAR 24.7 million over the same period.

Meters, pipe networks & lift stations

Meters, piping and lifting stations are mainly related to transmission equipment, pipes and lifting stations located on the sites of the electricity and water network.

Meters, pipelines and lifting stations increased by 14.0% from SAR 2,510.3 million as of 31 December 2019G to SAR 2,862.7 million as of 31 December 2020G driven by additions amounting to SAR 503.9 million in connection with customer funded assets as a result of new customers for connection charges, coupled with transfers amounting to SAR 42.3 million related to projects for gas distribution and wastewater treatment plants. This was partially offset by depreciation amounting to SAR 193.8 million.

Meters, pipelines and lifting decreased by 3.7% from SAR 2,862.7 million as of 31 December 2020G to SAR 2,756.3 million as of 31 December 2021G, as a result of depreciation expenses amounting to SAR 229.6 million. This was offset by additions amounting to SAR 118.3 million related to assets received from the Royal Commission of Jubail and Yanbu and transfers amounting to SAR 4.9 million related to the customer funded assets, mostly meters, which are assets purchased and installed by the Group to customers and transferred to the Group's ownership after being paid for by the client.

Meters, pipelines and lifting decreased by 2.1% from SAR 2,862.7 million as of 31 December 2021G to SAR 2,698.2 million as of 31 March 2022G, due to depreciation expenses amounting to SAR 58.6 million. This was offset by additions amounting to SAR 453 thousand during the same period.

Power lines, cables, meters & networks

Power lines, cables, meters and networks mainly relates to power distribution system, power cables and all power network tools

Power lines, cables, meters and networks increased by 10.2% from SAR 2,044.6 million as of 31 December 2019G to SAR 2,252.6 million as of 31 December 2020G, as a result of transfers from the capital work-in-progress account amounting to SAR 220.1 million, and additions amounting to SAR 113.1 million, partially offset by depreciation amounting to SAR 125.3 million.

Power lines, cables, meters and networks increased by 12.5% from SAR 2,252.6 million as of 31 December 2020G to reach SAR 2,533.7 million as of 31 December 2021G driven by additions amounting to SAR 357.9 million and transfers amounting to SAR 32.8 million., partially offset by depreciation amounting to SAR 109.6 million.

Power lines, cables, meters and networks decreased by 1.0% from SAR 2,533.7 million as of 31 December 2021G to SAR 2,509.5 million as of 31 March 2022G driven by depreciation amounting to SAR 26.9 million, partially offset by transfers of SAR 2.7 million during the same period.

Common external facilities

Common external facilities are related to gas pipelines from Aramco's facility to JWAP which are "**controlled**" by Tawreed. As per the governmental decree upon formation of the JWAP/Tawreed business relationship, no assets are to be owned by Tawreed (as a result no assets are recorded on Tawreed's financial statements). Furthermore, upon conclusion of this business relationship, MARAFIQ would become the sole owner of such assets, these common external facilities are therefore recorded (and depreciated) on MARAFIQ's books.

Common external facilities decreased by 9.8% from SAR 51.3 million as of 31 December 2019G to SAR 46.3 million as of 31 December 2020G, and then decreased by 9.7% to reach SAR 41.8 million as of 31 December 2021G, as a result of depreciation during the same period.

Common external facilities decreased by 2.7% from SAR 41.8 million as of 31 December 2021G to SAR 40.7 million as of 31 March 2022G driven by depreciation amounting to SAR 1.1 million during the same period.

Other equipment

Other equipment mainly relates to computers, fixed assets stationary, radars and furniture.

Other equipment increased by 44.1% from SAR 173.1 million as of 31 December 2019G to SAR 249.4 million as of 31 December 2020G driven by transfers from the capital work-in-progress account amounting to SAR 106.4 million, coupled with additions amounting to SAR 26.4 million, partially offset by depreciation amounting to SAR 73.1 million and disposals amounting to SAR 18.8 million in the same period.

Other equipment increased by 24.4% from SAR 249.4 million as of 31 December 2020G to SAR 310.4 million as of 31 December 2021G driven by additions amounting to SAR 75.9 million and transfers from the capital work-in-progress account amounting to SAR 47.9 million, partially offset by depreciation amounting to SAR 62.8 million and disposals amounting to SAR 2.8 million during the same period.

Other equipment increased by 1.0% from SAR 310.4 million as of 31 December 2021G to SAR 313.5 million as of 31 March 2022G driven by additions amounting to SAR 8.5 million and transfers capital work in progress amounting to SAR 10.4 million, partially offset by depreciation amounting to SAR 15.8 million.

Capital work in progress

Capital work in progress relate to assets under construction and mainly represent costs capitalised on new projects for installation of plant and machinery, civil infrastructure, and equipment for various facilities of the Group.

Capital work-in-progress decreased by 26.1% from SAR 1,734.3 million as of 31 December 2019G to SAR 1,281.9 million as of 31 December 2020G, due to transfers to various asset classes amounting to SAR 1,029.9 million as a result of the completion of these projects (mainly related to two new water treatment plants). This was offset by additions amounting to SAR 577.5 million related to a project to rehabilitate a power plant, and a project to remove lime deposits from the seawater cooling plants channels.

Capital work in progress increased by 25.1% from SAR 1,281.9 million as of 31 December 2020G to SAR 1,603.8 million as a result of additions amounting to SAR 712.7 million related to the existing works to establish two wastewater treatment plants. This was partially offset by transfers of SAR 390.8 million associated to the major overhaul of a power plant.

Capital work in progress increased by 7.2% from SAR 1,603.8 million as of 31 December 2021G to SAR 1,719.6 million as of 31 March 2022G driven by additions amounting to SAR 144.2 million associated to expansion projects within the new water treatment plants in Yanbu. This was partially offset by transfers to various other categories of fixed assets amounting to SAR 28.4 million during the same period.

Intangible assets

Table (6.29): Intangible assets as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Cost						
as of 1 January	184,494	188,113	189,056	1.2%	132,943	(29.7%)
Additions	64	106	9	(62.5%)	842	9255.6%
Transfers from capital work-in-progress	3,555	837	32,863	204.0%	-	N.A
Disposals	-	-	(88,985)	N.A	-	N.A
as of 31 December	188,113	189,056	132,943	(15.9%)	133,785	0.6%
Accumulated amortization						
as of 1 January	172,230	179,305	183,848	3.3%	123,324	(32.9%)
Amortization	7,075	4,543	28,461	100.6%	1,615	(94.9%)
Disposals	-	-	(88,985)	N.A	-	N.A
as of 31 December	**179,305**	**183,848**	**123,324**	**(17.1%)**	**124,940**	**1.3%**
Carrying value	**8,808**	**5,208**	**9,619**	**4.5%**	**8,845**	**(8.0%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Intangible assets mainly relate to software licenses and ERP system (SAP). The Group does not own any internally produced licenses, as all computer software licenses are acquired and amortized on a straight-line basis over the useful life.

Intangible assets decreased by 40.9% from SAR 8.8 million as of 31 December 2019G to SAR 5.2 million as of 31 December 2020G driven by amortization amounting to SAR 4.5 million, partially offset by additions and transfers amounting to SAR 943 thousand during the same period.

Intangible assets increased by 84.7% from SAR 5.2 million as of 31 December 2020G to SAR 9.6 million as of 31 December 2021G driven by transfers from the capital work-in-progress account amounting to SAR 32.9 million in connection with new plant in Ras Al Khair which required the Group to capitalize on new licenses that will be amortized over a period of 5 years, this was partially offset by disposals amounting to SAR 89.0 million and amortization amounting to SAR 28.5 million over the same period.

Intangible assets decreased to SAR 8.8 million as of 31 March 2022G driven by amortization amounting to SAR 1.6 million, partially offset by additions and transfers amounting to SAR 842 thousand during the same period.

Equity accounted investees

Equity accounted investees relate to the Group's investments in: (1) Jeddah Althaniya Water Company, in which the company owns a 45% share, (2) Jeddah Althaniya Operation and Maintenance Company, in which the company owns a 49% share, (3) Jubail and Yanbu District Cooling Company ("**Tabreed**") in which the company owns a 20% share.

These investments are accounted for using the equity method in the consolidated financial statements. The Group exercises significant influence over these companies with no significant control, and the book value of these investments is measured based on the annual profits of these companies less dividends distributed and any adjustments and settlements. The book value of the equity accounted investees amounted to SAR 93 thousand, SAR 409 thousand, SAR 11.7 million and SAR 32.9 million, as of 31 December 2019G, 2020G and 2021G, and as of 31 March 2022G, respectively.

Long term receivables and prepayments

Table (6.30): Long term receivables and prepayments as of 31 December 2019G, 2020G and 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Due from employees under home ownership program	343,785	273,106	234,580	(17.4%)	226,785	(3.3%)
Deferred employee benefit	39,830	30,169	23,687	(22.9%)	22,291	(5.9%)
Deferred cost	23,899	19,025	14,151	(23.1%)	13,750	(2.8%)
Long term prepayments	1,934	-	-	(100.0%)	-	N.A
Total	**409,448**	**322,300**	**272,418**	**(18.4%)**	**262,826**	**(3.5%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Due from employees under home ownership program

The Group has established home ownership program that provide eligible employees the opportunity to purchase residential units constructed by the Group. The land and construction costs of the housing units are repaid by the employees over a period of up to 20 years. Ownership of the residential units is transferred to the employees upon full settlement of the amounts due. This amount, recorded at amortized cost, represents the cost of residential units sold to employees under the employee Home Ownership Program.

Due from employees under home ownership program decreased by 20.6% from SAR 343.8 million as of 31 December 2019G to SAR 273.1 million as of 31 December 2020G then decreased by 14.1% to SAR 234.6 million as of 31 December 2021G, then further decreased by 3.3% to SAR 226.8 million as of 31 March 2022G, mainly due to transferring the homes to employees who are no longer employed by the Group as part of management's initiative to optimize costs, whereby their settlement cheque (i.e. benefits of their early retirement) was offset against the remaining balance home amount. The Group handed over 409 homes to 409 eligible employees.

Deferred employee benefit

Deferred employee benefits relate to the discounting effect of receivables from employees using the effective interest method, in line with the annual actuarial study carried out annually in accordance with IFRS.

The deferred employee benefit amounts as of 31 December 2019G, 2020G and 2021G represent the non-current portion, as the impact of the discount on employees' advances is charged to the consolidated income statement at a value of SAR 7.7 million in 2021G and SAR 1.9 million in the three-month period ending 31 March 2022G (recorded under finance income), which represents the unwinding of the discount on Home Ownership Program receivable.

Deferred cost

Deferred cost pertain to the MARAFIQ's share in Jubail Water and Power Company ("**JWAP**") for the costs incurred in accordance with the operation and maintenance agreement which consist of (1) initial and strategic spares acquired are handed over to the O&M contractor, Jubail O&M Limited Company ("**JOMEL**"), and recognized as deferred costs in accordance with the O&M agreement are amortized over the O&M agreement term commencing from the date of start of commercial operations and on a straight-line basis, (2) consulting fees for consultants who were appointed by JWAP Company to inspect factories and supervise engineering, procurement and contracting contracts, and which are amortized on a straight line basis, and (3) the site evacuation clause at the site evacuation cost that is paid to the operation and maintenance contractor, Jubail O&M Limited Company ("**JOMEL**"), the maturity of the operation and maintenance agreements.

Deferred cost decreased by 20.4% from SAR 23.9 million as of 31 December 2019G to SAR 19.0 million as of 31 December 2020G driven by amortization during the same period.

Deferred costs further decreased by 25.6% to SAR 14.2 million as of 31 December 2021G and then by 2.8% to reach SAR 13.8 million as of 31 March 2022G, driven by the amortization of these costs during the same period.

Long term prepayments

Long term prepayment mainly relates to advance fees paid for Murabaha loan.

Long term prepayments amounted to SAR 1.9 million as of 31 December 2019G and then decreased to nil as of 31 December 2020G and as of 31 December 2021G, following the restructuring of all three Murabaha loans to one Murabaha loan with Banque Saudi Fransi, to be fully paid by the fiscal year 2034G, with a grace period of 5 years, starting from October 2019G.

Deferred tax assets

Table (6.31): Deferred tax assets as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Balance as of 1 January	5,775	9,566	15,017	61.3%	7,430	(50.5%)
(Charge) / credit for the year/period	3,791	5,451	(7,587)	N.A	(3,902)	(48.6%)
Balances as of 31 December	**9,566**	**15,017**	**7,430**	**(11.9%)**	**3,528**	**(52.5%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

Deferred tax assets represent anticipation of future benefits (by way of reduction of future income tax) created in the books for accounting purposes as a result of differences between accounting and tax rules calculations (e.g. time difference in deductibility of certain expenses, tax losses, and others).

Deferred tax assets increased by 57.0% from SAR 9.6 million as of 31 December 2019G to SAR 15.0 million as of 31 December 2020G driven by the movement in the provision account.

Deferred tax assets decreased by 50.5% from SAR 15.0 million as of 31 December 2020G to SAR 7.4 million as of 31 December 2021G then by 52.5% to reach SAR 3.5 million as of 31 March 2022G driven by the movement of the provisions account.

11- Current assets

Table (6.32): Current Assets as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Inventories	278,008	312,534	273,539	(0.8%)	267,627	(2.2%)
Trade receivables	807,579	906,765	834,096	1.6%	967,295	16.0%
Prepayments and other current assets	596,824	482,273	384,155	(19.8%)	377,595	(1.7%)
Short-term deposits	36,000	1,226,300	1,422,200	528.5%	1,435,000	0.9%
Cash and cash equivalents	1,085,344	594,815	482,654	(33.3%)	636,566	31.9%
Total current assets	**2,803,755**	**3,522,687**	**3,396,644**	**10.1%**	**3,684,083**	**8.5%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Inventories

Table (6.33): Inventory as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Spare parts	396,593	427,544	365,820	(4.0%)	366,832	0.3%
Fuel oil	29,756	43,262	40,665	16.9%	36,691	(9.8%)
Others	9,427	11,028	11,650	11.2%	11,004	(5.5%)
Total inventory	**435,776**	**481,834**	**418,135**	**(2.0%)**	**414,527**	**(0.9%)**
Less: Provision for slow-moving and obsolete inventories	(157,768)	(169,300)	(144,596)	(4.3%)	(146,900)	1.6%
Net inventory	278,008	312,534	273,539	(0.8%)	267,627	(2.2%)
Average inventory days (1)	**4**	**6**	**6**	**2**	**6**	**0**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

(1) The average days of inventory was calculated based on the average inventory after excluding spare parts net of fuel costs, chemicals, electricity and water costs, operating and maintenance costs * 365 days.

Table (6.34): Movement in provision for obsolete inventory as of 31 December 2019G, 2020G, and 2021G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Opening balance	146,421	157,768	169,300	7.5%	144,596	(14.6%)
Provision written-off during the year	-	-	(49,865)	N.A	-	N.A
Provision during the year	11,347	11,532	25,161	48.9%	2,304	(90.8%)
Closing balance	157,768	169,300	144,596	(4.3%)	146,900	1.6%

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

Gross inventory amounted to SAR 414.5 million as of 31 March 2022G, and it mainly relates to spare parts used by the Group to maintain its facilities and represented 88.5% of total, fuel oil and others, represented 8.9% and 2.7% of the total respectively.

Spare parts

Spare parts increased by 7.8% from SAR 396.6 million as of 31 December 2019G to SAR 427.5 million as of 31 December 2020G, in line with the increase in the Group's requirements to use of spare parts during the same period.

Spare parts decreased by 14.4% from SAR 427.5 million as of 31 December 2020G, to reach SAR 365.8 million as of 31 December 2021G, driven by the write-off of spare parts. A full inventory count was carried out, and additional slow moving inventory items were identified which led to an increase in the provision during the same period.

Spare parts increased by 0.3% from SAR 365.8 million as of 31 December 2021G to SAR 366.8 million as of 31 March 2022G, in line with the increase in the Group's needs for the use of spare parts during the same period.

Fuel oil

Fuel oil is used for power production at the Yanbu plant.

Fuel oil increased by 45.4% from SAR 29.8 million as of 31 December 2019G to SAR 43.3 million as of 31 December 2020G as a result of an increase in the purchases of a fuel type that is more costly than the other fuel types.

Fuel oil decreased by 6.0% from SAR 43.3 million as of 31 December 2020G to SAR 40.7 million as of 31 December 2021G, as some of generation stations did not operate.

Fuel oil decreased by 9.8% from SAR 40.7 million as of 31 December 2021G to SAR 36.7 million as of 31 March 2022G, due to the consumption of a quantity of fuel that exceeds what was received as stock.

Other

Other inventory relates to chemicals.

Other inventory increased by 17.0% from SAR 9.4 million as of 31 December 2019G to SAR 11.0 million as of 31 December 2020G, then by 5.6% to SAR 11.7 million as of 31 December 2021G, driven by the increase in the Group's requirements for chemicals.

Other inventory decreased by 5.5% from SAR 11.7 million as of 31 December 2021G to SAR 11.0 million as of 31 March 2022G, as a result of the decrease in the Group's needs for chemicals.

Provision for non-moving and obsolete inventory

Provision for non-moving and obsolete inventory relates mainly to spare parts. The Group's provisioning policy requires that inventories are stated at lower of cost or net realizable value on a weighted average cost basis and that allowances shall be made periodically for any slow moving or obsolete inventory, with physical stock counts performed.

Provision for non-moving and obsolete inventory increased by 7.3% from SAR 157.8 million as of 31 December 2019G to SAR 169.3 million as of 31 December 2020G, as a result of an increase in the provision by SAR 11.5 million.

Provision for non-moving and obsolete inventory decreased by 14.6% from SAR 169.3 million as of 31 December 2020G, to SAR 144.6 million as of 31 December 2021G, due to write-offs amounting to SAR 49.9 million as a result of writing off of spare parts, following a stock count carried out at the end of 2021G as additional slow-moving inventory items were identified, which led to an increase in the provision during the same period.

Trade receivables

Table (6.35): Trade receivables as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Trade receivables - related parties	465,356	500,952	479,871	1.5%	459,622	(4.2%)
Trade receivables - Others	365,688	430,530	377,107	1.5%	530,567	40.7%
Total Trade receivables	**831,044**	**931,482**	**856,978**	**1.5%**	**990,189**	**15.5%**
Provision for impairment	(23,465)	(24,717)	(22,882)	(1.3%)	(22,894)	0.1%
Net trade receivables	**807,579**	**906,765**	**834,096**	**1.6%**	**967,295**	**16.0%**
Average days receivables outstanding - related parties (1)	47	38	38	-9	14	(33)
Average days receivables outstanding - Others (2)	85	92	102	17	53	(32)
Average days receivables outstanding (3)	58	53	53	(5)	56	(2)

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

(1) The average days sales outstanding days sales outstanding is calculated on the basis of the average receivables of related parties from the net income of related parties * 365 days or 90 days for the period as of 31 March 2022G.

(2) The average days sales outstanding were calculated based on the average of other receivables from net revenue of other customers * 365 days or 90 days for the 31 March 2022G period.

(3) The average receivable days were calculated based on the average total receivables from net revenue * 365 days or 90 days for the 31 March 2022G period.

Table (6.36): Ageing of trade receivables as of 31 March 2022G:

In SAR thousands	Up to 30 days	31 days - 60 days	61 days - 90 days	91 days - 180 days	181 days - 270 days	271 days - 360 days	more than 360 days	Total
Trade receivables from third parties	118,269	212,431	76,059	30,177	26,079	22,096	45,456	530,567
Trade receivables aging from related parties	341,711	40,522	12,895	43,578	18,121	418	2,377	459,622
Total	**459,980**	**252,953**	**88,954**	**73,755**	**44,200**	**22,514**	**47,833**	**990,189**

Source: Management information

Table (6.37): Ageing of related party trade receivables as of 31 March 2022G:

In SAR thousands	Up to 30 days	31 days - 60 days	61 days - 90 days	91 days - 180 days	181 days - 270 days	271 days - 360 days	more than 360 days	Total
Saudi Basic Industries Corporation ("SABIC") and its subsidiaries	161,021	25,224	3,561	6,577	576	147	333	197,439
Saudi Aramco and its subsidiaries ("Aramco")	162,276	8,085	217	7,103	94	19	43	177,837
Royal Commission for Jubail & Yanbu ("Royal Commission")	18,394	7,210	9,113	29,878	17,448	252	(572)	81,723
Saudi Electricity Company	20	3	4	20	3	0.1	2,573	2,622
Total	**341,711**	**40,522**	**12,895**	**43,578**	**18,121**	**418**	**2,377**	**459,622**

Source: Management information

Table (6.38): Ageing of other trade receivables as of 31 March 2022G:

In SAR thousands	Up to 30 days	31 days - 60 days	61 days - 90 days	More than 90 days	Total
Trade receivables - Others	363,840	28,734	13,919	124,074	**530,567**

Source: Management information

Table (6.39): Trade receivables from related parties as of 31 December 2019G, 2020G and 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Saudi Aramco and its subsidiaries ("Aramco")	157,607	209,594	203,352	13.6%	177,836	(12.5%)
Saudi Basic Industries Corporation ("SABIC") and its subsidiaries	220,867	197,311	200,291	-4.8%	197,441	(1.4%)
Royal Commission for Jubail & Yanbu ("Royal Commission")	48,190	91,988	73,625	23.6%	81,723	11.0%
Saudi Electricity Company	38,692	2,059	2,603	(74.1%)	2,622	(0.3%)
Total	**465,356**	**500,952**	**479,871**	**1.5%**	**459,622**	**(4.2%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

Table (6.40): Movement in provision for credit impairment as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Opening balance	36,667	23,465	24,717	(17.9%)	22,882	(7.4%)
Additions during the year	-	3,000	-	N.A	-	N.A
Reversal during the year	-	-	(1,873)	N.A	12	(100.6%)
Write-off during the year	(13,202)	(1,748)	38	N.A	-	N.A
Closing balance	**23,465**	**24,717**	**22,882**	**(1.3%)**	**22,894**	**0.1%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

Trade receivable - related parties

Trade receivables from related parties increased by 7.6% from SAR 465.4 million as of 31 December 2019G to SAR 501.0 million as of 31 December 2020G, as a result of the increase in receivables from Saudi Aramco and its subsidiaries by SAR 52.0 million due to the listing a company within Aramco's subsidiaries in 2020G, coupled with the increase in receivables from the Royal Commission for Jubail and Yanbu by SAR 43.8 million driven by the increase in irrigation waste water revenue in Jubail Industrial City and delay in collections from the Royal Commission for Jubail and Yanbu. This was partially offset by a decrease in the balance of receivables from the Saudi Electricity Company by SAR 36.6 million mainly due to the settlement agreement between the Group and the Saudi Electricity Company to pay its monthly dues, in addition to a decrease in the balance of SABIC and its subsidiaries by SAR 23.6 million, in line with revenue generated from SABIC and its subsidiaries during the same period.

Receivables from related parties decreased by 4.2% from SAR 501.0 million as of 31 December 2020G to SAR 479.9 million as of 31 December 2021G driven by the decrease in receivables from Saudi Aramco and its subsidiaries by SAR 6.2 million, and from the Royal Commission for Jubail and Yanbu by SAR 18.4 million as a result of improved collections during the same period.

Receivables from related parties decreased by 4.2% from SAR 479.9 million as of 31 December 2021G to SAR 459.6 million as of 31 March 2022G, due to the decrease in the balance of Saudi Aramco and its subsidiaries by SAR 25.5 million driven by collections made during same period.

The average days sales outstanding ("**DSO**") decreased from 47 days as of 31 December 2019G to 38 days as of 31 December 2020G and as of 31 December 2021G mainly due to the settlement agreement that took place between the Group and the Saudi Electricity Company which entitles the Saudi Electricity Company to pay the dues on a monthly basis and repayment of all dues outstanding for the periods prior to 2019G, coupled with improvement in collections from other related parties, particularly the Royal Commission for Jubail and Yanbu. Average days sales outstanding ("**DSO**") decreased to 14 days as of 31 March 2022G as a result of settlements made by Saudi Aramco and its subsidiaries.

Trade receivable - others

Trade receivables from others relate to receivables from government, industrial, residential, and commercial clients.

Trade receivables from others increased by 17.7% from SAR 365.7 million as of 31 December 2019G to SAR 430.5 million as of 31 December 2020G in line with the increase in respective revenue from SAR 1.5 million to SAR 1.7 million, whereby the increase was driven by The Jubail Water Directorate with an amount of SAR 59.9 million and the Saline Water Conversion Corporation by SAR 17.8 million during the same period.

Trade receivables from others decreased by 12.4% from SAR 430.5 million as of 31 December 2020G to SAR 377.1 million as of 31 December 2021G, due to the decrease in receivables from Jubail Water Directorate by SAR 106.6 million, and the Saline Water Conversion Corporation by SAR 47.7 million during the same period.

Trade receivables from others increased by 40.7% from SAR 377.1 million as of 31 December 2021G to SAR 530.6 million as of 31 March 2022G, in line with the increase in revenue from other clients during the same period.

Provision for credit impairment

The Group has applied IFRS 9 as required on the simplified approach based on life expectancy credit losses for trade receivables at the date of each consolidated financial statement. The Group considers the probability of default on initial recognition of the asset and whether there has been a significant increase in credit risk on a regular basis during each financial period and assesses whether there has been a significant increase in credit risk. The Group compares the risk of default at the date of the financial statements with the risk of default at the date of initial recognition by taking into account reasonable, supportive and forward-looking information available.

A significant increase in credit risk is assumed if the debtor exceeds the due date by more than 90 days from the contractual payment date, unless the Group has reasonable and supportive information to prove otherwise, in addition, no provision is applied to the receivables of MARAFIQ Water and Power Supply Company ("**Tawreed**") and Jubail Water and Power Company ("**JWAP**") due to the nature of the agreements with their clients their governmental status.

Provision for credit impairment increased by 5.3% from SAR 23.5 million as of 31 December 2019G to SAR 24.7 million as of 31 December 2020G, and then decreased by 7.4% to SAR 22.9 million as of 31 December 2021G in line with the provision policy during the same period. It is worth noting that the write-offs amounting to SAR 13.2 million in 2019G were related to the Sadara project due to the difference in the actual depreciation rates between Sadara and the Group.

Provision for credit impairment remained stable at SAR 22.9 million Saudi riyals as of 31 December 2021G and 31 March 2022G.

Prepayments and Other Current Assets

Table (6.41): Prepayments and Other Current Assets as of 31 December 2019G, 2020G, 2021G and 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Accrued revenue	235,263	220,168	224,307	(2.4%)	224,049	(0.1%)
Advances and other receivables	126,556	151,509	76,179	(22.4%)	80,437	5.6%
Prepayments and others	51,720	50,978	70,426	16.7%	49,422	(29.8%)
Saudi Electricity company margin	182,743	58,351	10,422	(76.1%)	20,079	(92.7%)
Accrued finance income	542	1,267	2,821	128.1%	3,608	27.9%
Total	**596,824**	**482,273**	**384,155**	**(19.80%)**	**377,595**	**(1.70%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

Accrued revenue

Accrued revenue relates to revenue due from MARAFIQ Water and Power Supply Company ("**Tawreed**"), which represents the unbilled amounts for the Saudi Electricity Company and the Saline Water Conversion Corporation, in addition to revenue from MARAFIQ's clients.

Accrued revenue decreased by 6.4% from SAR 235.3 million as of 31 December 2019G to SAR 220.2 million as of 31 December 2020G as a result of the timing of billing, as there is a 4-day period of the agreement with clients in which no invoice is issued due to various factors.

Accrued revenue increased by 1.9% from SAR 220.2 million as of 31 December 2020G to SAR 224.3 million as of 31 December 2021G in line with the increase in unbilled gas revenue during the same period.

Accrued revenue decreased by 0.1% to reach SAR 224.0 million as of 31 March 2022G.

Advances and other receivables

Advances and other receivables mainly relate to the current portion of the receivables for the Home Ownership Program, down payments and other receivables.

Advances and other receivables increased by 19.7% from SAR 126.6 million as of 31 December 2019G to SAR 151.5 million as of 31 December 2020G driven by the increase in the current balance of the home ownership program for employees during the same period.

Advances and other receivables decreased by 49.7% from SAR 151.5 million as of 31 December 2020G to SAR 76.2 million as of 31 December 2021G as a result of settlements from employees during the same period.

Advances and other receivables increased by 5.6% from SAR 76.2 million as of 31 December 2021G to SAR 80.4 million as of 31 March 2022G due to an increase in the advances from spare parts by SAR 8.4 million as a result of the increase in spare parts required by the Group.

Prepayments and others

Prepayments and others consist mainly of medical insurance, motor insurance, rented property insurance and rent advances.

Prepayments and others decreased by 1.4% from SAR 51.7 million as of 31 December 2019G to SAR 51.0 million as of 31 December 2020G as a result of the expiration of some lease contracts.

Prepayments and others increased by 38.1% from SAR 51.0 million as of 31 December 2020G to SAR 70.4 million as of 31 December 2021G as a result of the change in the method of payment to the medical insurance provider for employees from the settlement of three instalments per year to one instalment per year.

Prepayments and others decreased by 29.8% from SAR 70.4 million as of 31 December 2021G to SAR 49.4 million as of 31 March 2022G as a result of a decrease in prepaid insurance by SAR 25.2 million due to the maturity (amortization) of the balance of the advance insurance payments in line with approaching the renewal date of the insurance policy during the same period.

Saudi Electricity Company margin

The Saudi Electricity Company margin relates to the amounts owed to the MARAFIQ Company in consideration of the Supreme Economic Council Resolution No. 369/27 dated 20 November 2006G which states that Marafiq would be compensated for selling the entire power from JWAP to SEC and for its efforts to establish the initial set-up and start-up of the JWAP project, and the compensation value amounts to SAR 7.5 per each KWH sold to the Saudi Electricity Company.

Saudi Electricity Company margin decreased by 68.1% from SAR 182.7 million as of 31 December 2019G to SAR 58.4 million as of 31 December 2020G, mainly due to the settlement agreement that took place between the Group and the Saudi Electricity Company that entitles the Saudi Electricity Company to pay its dues on a monthly basis and to pay all its outstanding amounts that are overdue.

Saudi Electricity Company margin decreased by 82.1% from SAR 58.4 million as of 31 December 2020G to SAR 10.4 million as of 31 December 2021G in line with the decrease in sales to the Saudi Electricity Company as a result of the decrease in volumes sold and demand during the same period.

Saudi Electricity Company margin increased by 92.7% from SAR 10.4 million as of 31 December 2021G to SAR 20.1 million as of 31 March 2022G as the balance as of 31 March 2022G is related to outstanding balances that was settled by SEC in April 2022G in connection to 2 monthly payments, as opposed to the balance as of 31 December 2021G which is related to only 1 monthly payment.

Accrued finance income

Accrued finance income is mainly related to accrued interest on short term deposits.

Accrued finance income increased by 133.8% from SAR 542 thousand as of 31 December 2019G to SAR 1.3 million as of 31 December 2020G then increased by 122.7% to SAR 2.8 million as of 31 December 2021G and further by 27.9% to SAR 3.6 million as of 31 March 2022G, in line with the increase in the company's investments in short-term deposits during the same period.

Short-term deposits

Short term deposits relate to term deposits with maturities of more than three months.

Short-term deposits increased by 3,306.4% from SAR 36.0 million as of 31 December 2019G to SAR 1,226.3 million as of 31 December 2020G as a result of postponing lease payments (right of use assets) to the Royal Commission for Jubail and Yanbu as a result of a difference on certain contractual terms related to the arrangement of the lease agreement for MASA Services Company for Operation and Maintenance ("MASA") which resulted in increased cash and its utilization in short term deposits.

Short-term deposits further increased by 16.0% from SAR 1,226.3 million as of 31 December 2020G to SAR 1,422.2 million as of 31 December 2021G, and then increased by 0.9% to SAR 1,435.0 million as of 31 March 2022G in line with the increase in the company's investments in short-term deposits during the same period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and deposits upon demand with maturities of three months or less. Short term deposits earn interest at floating rates based on daily bank deposit rates. The short-term deposits are of varying durations ranging from one to three months, according to the company's immediate cash requirements, and earn interest at the relevant short-term deposit rates.

Cash and cash equivalents decreased by 45.2% from SAR 1,085.3 million as of 31 December 2019G to SAR 594.8 million as of 31 December 2020G, mainly due to the decrease in cash generated from operating activities from SAR 2,789.4 million to SAR 1,855.8 million, in addition to dividends paid amounting to SAR 117.3 million during the same period.

Cash and cash equivalents decreased by 18.9% from SAR 594.8 million as of 31 December 2020G to SAR 482.7 million as of 31 December 2021G due to: (1) the increase in additions to property, plant and equipment from SAR 582.6 million to SAR 786.4 million in line with the Group's needs, (2) payment of finance lease commitments amounting to SAR 619.4 million, and (3) dividends paid amounting to SAR 140.6 million during the same period.

Cash and cash equivalents increased by 31.9% from SAR 482.7 million as of 31 December 2021G to SAR 636.6 million as of 31 March 2022G due to cash generated from operating activities amounting to SAR 341.3 million, in addition to the Group obtaining a short-term loan of SAR 51.0 million to support working capital requirements during the same period.

12- Equity

Table (6.42): Equity as of 31 December 2019G, 2020G, 2021G, and 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Share Capital	2,500,000	2,500,000	2,500,000	0.00%	2,500,000	0.00%
Statutory reserve	249,366	261,010	287,960	7.50%	287,960	0.00%
Retained earnings	4,190,765	4,334,889	4,834,430	7.40%	4,977,378	3.00%
Equity before fair value reserve for cash flow hedge of investees	**6,940,131**	**7,095,899**	**7,622,390**	**4.80%**	**7,765,338**	**1.90%**
Fair value reserve for cash flow hedge of investees	(102,745)	(162,146)	(71,304)	(16.70%)	29,750	(141.70%)
Equity attributable to equity holders of the Parent Company	**6,837,386**	**6,933,753**	**7,551,086**	**5.10%**	**7,795,088**	**3.20%**
Non-controlling interest	40,968	53,633	-	(100.00%)	-	N.A
Total equity	**6,878,354**	**6,987,386**	**7,551,086**	**4.80%**	**7,795,088**	**3.20%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Capital

Table (6.43): Capital as of 31 December 2019G, 2020G, and 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Saudi Basic Industries Corporation ("SABIC")	24.8%	24.8%	24.8%	0.0%	24.8%	0.0%
Saudi Arabian Oil Company ("Aramco")	24.8%	24.8%	24.8%	0.0%	24.8%	0.0%
Royal Commission for Jubail & Yanbu ("Royal Commission")	24.8%	24.8%	24.8%	0.0%	24.8%	0.0%
Public Investment Fund ("PIF")	24.8%	24.8%	24.8%	0.0%	24.8%	0.0%
Other private sector investors	0.8%	0.8%	0.8%	0.0%	0.8%	0.0%
Total	**100%**	**100%**	**100%**	**0.00%**	**100%**	**0.0%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

The capital consists of the authorized, issued and fully paid-up capital of SAR 2,500.0 million. It is divided into 250.0 million shares, and the value of each share is SAR 10.

Statutory reserve

In line with the company's articles of association, the company should create a statutory reserve by transferring 4% of the net profit until this reserve reaches 20% of the capital. This reserve is not available for distribution to shareholders. It is worth noting that the company obtained an exemption regarding the formation of its statutory reserve.

Retained Earnings

Retained earnings increased by 3.4% from SAR 4,190.8 million as of 31 December 2019G to SAR 4,334.9 million as of 31 December 2020G, due to the total comprehensive income of SAR 263.4 million which was offset by dividends paid amounting to SAR 107.6 million during same period.

Retained earnings further increased by 11.5% from SAR 4,334.9 million as of 31 December 2020G to SAR 4,834.4 million as of 31 December 2021G, due to the total comprehensive income of SAR 638.1 million, which was offset by dividends of SAR 27.0 million during the same period.

Retained earnings increased by 3.0% from SAR 4,834.4 million as of 31 December 2021G to SAR 4,977.4 million as of 31 March 2022G, due to the profit of SAR 142.9 million during the same period.

Fair value reserve for cash flow hedge of joint operations

JWAP uses interest rate swaps ("SWAP") to hedge its interest rate risk and derivative instruments often include when creating a joint promise swap with little or no transfer of consideration. However, these tools often involve a high degree of leverage and are highly variable. A relatively small movement in the value of the price on which the derivative contract is based may have a significant impact on the income or equity component of the Group, and the fair value of the derivatives is related to the interest rate swaps made by JWAP. The fair value of interest rate swaps (SWAP) changes as the market value changes in line with the change in interest rates and as a result of this change the fair value of the hedge against the cash flows of joint operations changes.

The fair value reserve to hedge against cash flows of joint operations decreased by 57.8% from a negative balance (loss) amounting to SAR 102.7 million as of 31 December 2019G to a negative balance (loss) amounting to SAR 162.1 million as of 31 December 2020G, then by 56.0% to a negative balance (loss) amounting to SAR 71.3 million as of 31 December 2021G, due to the company's share of the hedging profit towards cash flows during the same period.

The fair value reserve to hedge against the cash flows of joint operations increased from a negative balance (loss) amounting to SAR 71.3 million as of 31 December 2021G to a positive balance (profit) amounting to SAR 29.8 million as of 31 March 2022G in line with the increase in interest rates and the change in the fair value of the hedging instrument during same period.

Non-controlling interest

The non-controlling interest relates to the non-controlling interest in MASA Services Company for Operation and Maintenance ("MASA"). The balance increased by 30.9% from SAR 41.0 million as of 31 December 2019G to SAR 53.6 million as of 31 December 2020G due to the total comprehensive income amounting to SAR 22.4 million, then decreased to nil as of 31 December 2021G as the Group acquired the remaining shares in MASA.

13- Non-current liabilities

Table (6.44): Non-current liabilities as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Bank loans and borrowings	9,278,671	8,976,169	8,617,965	(3.6%)	8,527,896	(1.0%)
Lease liabilities	2,955,765	3,111,884	2,865,048	(1.5%)	2,897,020	1.1%
Other non-current liabilities	2,169,064	2,346,593	2,752,632	12.70%	2,716,738	(1.3%)
Deferred tax	36,271	69,697	126,443	86.7%	133,826	5.8%
Total non-current liabilities	14,439,771	14,504,343	14,362,088	(0.3%)	14,275,480	(0.6%)

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Bank loans and borrowings

Table (6.45): Bank loans and advances as of 31 December 2019G, 2020G, 2022G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G-31 March 2022G variance
Fourth Murabaha	1,500,000	1,500,000	1,500,000	0.0%	1,500,000	0.0%
Fifth Murabaha	1,500,000	1,500,000	1,500,000	0.0%	1,500,000	0.0%
Sixth Murabaha	3,400,000	3,400,000	3,400,000	0.0%	3,400,000	0.0%
SIDF	1,308,000	1,308,000	990,000	(13.0%)	990,000	0.0%
Less: Unamortized transaction costs	(124,781)	(102,603)	(75,154)	(22.4%)	(69,515)	(7.5%)
Total MARAFIQ	**7,583,219**	**7,605,397**	**7,314,846**	**(1.8%)**	**7,320,485**	**0.1%**
Shariah compliant and other long-term loans	2,005,391	1,849,047	1,682,466	(8.4%)	1,595,289	(5.2%)
Less: Unamortised transaction costs	(34,251)	(21,618)	(18,281)	(26.9%)	(17,447)	(4.6%)
JWAP	**1,971,140**	**1,827,429**	**1,664,185**	**(8.1%)**	**1,577,842**	**(5.2%)**
Total	**9,554,359**	**9,432,826**	**8,979,031**	**(3.1%)**	**8,898,327**	**(0.9%)**
Segmented by:						
Non-current	9,278,671	8,976,169	8,617,965	(3.6%)	8,527,896	(1.0%)
Current	275,688	456,657	361,066	14.4%	370,431	2.6%

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

The following table summarized the bank loans and borrowings as of 31 March 2022G

In SAR thousands	Facility type	Limit	Utilization as of 31 March 2022G	Type of guarantee	Conditions
Bank Saudi Fransi	Murabaha 4	1,500,000	1,500,000	Promissory note	Marafiq must ensure that their capital expenditures do not exceed SAR 5,000 million during the grace period (the first five years of the loan), and SAR 1,100 million annually thereafter without obtaining prior approval from the lender. In addition, Marafiq must ensure that the direct/indirect collective shareholding of Saudi Aramco, SABIC, the Public Investment Fund, and the Royal Commission for Jubail and Yanbu is not less than 50%.
	Murabaha 5	1,500,000	1,500,000		
	Murabaha 6	3,400,000	3,400,000		
Saudi Industrial Development Fund	Financing power production, water desalination and seawater cooling, and financing a Marafiq industrial water plant	1,560,000	990,000	Real estate mortgage and promissory notes	No change may be made to the legal status of Marafiq nor the shareholders without the prior written consent of the Saudi Industrial Development Fund.
BNP Paribas, Samba Financial Group, Gulf International Bank BSC as Nominated Payers, BNP Paribas as International Facilities Agent and Global Facility Agent, BNP Paribas, Seoul Branch as KEIC Covered Facility Agent, Riyad Bank as Facility Agent Islamic Bank, GIB as LRA Facility Agent, Mizuho Corporate Bank Ltd. as Offshore Custodian, Samba Financial Group as Local Custodian, GIB as Bahrain Collateral Agent, BNP Paribas, London Branch as Offshore Account Bank, Samba Financial Group As the local account bank ("Jubail Water and Electricity Company Common Terms Agreement")	Financing the project, which includes development, design, engineering, procurement, manufacturing, financing, construction, licensing, completion, operational testing, insurance, ownership procedures, operation and maintenance related to the power generation and water desalination plant, with a total net capacity of about 2745 MW, and about 800,000 cubic meters of desalinated water per day. This financing includes International Facility, KEIC Covered Facility, Islamic Facility, Working Capital Facility and LRA Facility (each as defined under the JWEC Common Terms Agreement) (the "Jubail Water and Electricity Company Financing Facility") which is provided by Relevant credit providers (as defined in the Jubail Water and Electricity Company's Common Terms Agreement).	10,563,131,3 (equivalent to USD 2,816,845 thousands)	1,595,289	Real estate mortgage and other guarantees	The loan includes several terms and conditions. To view the details of these terms and conditions, please Refer to section ("7-12 Financing, Loan and Facility Agreements") of this Prospectus

For more details regarding bank loans and borrowing refer to section ("12-7" Credit Facilities and Loans) of this Prospectus.

Murabaha

The Company has entered into three Murabaha facility agreements under consolidated arrangements with different banks for a total amount of SAR 6,400.0 million from Saudi National Bank, Banque Saudi Fransi and Saudi British Bank. During the fiscal year 2019G, all three Murabaha loans were restructured into one Murabaha loan with Banque Saudi Fransi to be repaid in full by 2034G with a grace period of 5 years starting from October 2019G. The loan agreements include some financial conditions, including the company's retention of the debt ratio to the net tangible equity and debt service coverage, in addition to other conditions.

The value of the Murabaha facilities amounted to SAR 6,400.0 million as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G, mainly due to the payment agreement with Banque Saudi Fransi that grants the Group a grace period of 5 years starting from October 2019G since the date of the rescheduling agreement in 2019G.

Saudi Industrial Development Fund Loans

The company signed loan agreements with the Saudi Industrial Development Fund on 26 May 2016G, which represent two loans with a total amount of SAR 1,560.0 million to finance the construction of some production facilities in the company. The company has withdrawn the entire amount as of 31 December 2018G. The Saudi Industrial Development Fund charged loan establishment fees and annual administrative expenses in accordance with the loan agreement. The loans are repaid in 17 unequal semi-annual installments that started in January 2018G and are expected to be fully repaid by 2025G.

It is worth noting that all the above-mentioned loans are secured by mortgaging some of the company's assets. The conditions imposed by the Saudi Industrial Development Fund loan require the company to maintain a certain level of financial conditions (such as the liquidity ratio and the debt ratio), limit the distribution of annual dividends and keep annual capital expenditures within certain limits.

Unamortized transaction costs

It relates to the fees of the economic feasibility study for the Saudi Industrial Fund loan and the administrative fees related to Murabaha loans, which are paid in full upon signing the financing agreements and are amortized over the time period of the loans. As for the follow-up fees related to the Saudi Industrial Fund loan, they are paid in an unequal semi-annual installment that began in January 2017G and is expected to be paid in full by 2025G. It is determined by the Fund based on the actual working hours spent by the Fund's employees in the performance of tasks related to the loan.

JWAP

JWAP used three facilities as of 31 March 2022G, including: (1) international facilities amounting to SAR 1,070.7 million (including support facilities amounting to SAR 172 million) from financiers of international facilities related to financing part of the project. Payment terms require payment in unequal semi-annual installments starting 30 September 2010G and ending 31 March 2029G. These facilities carry interest rates at the London Interbank Offered Rate (LIBOR in US dollars) plus a profit margin, (2) A Sharia-compliant loan whereby Sharia-compliant financiers purchase some assets from JWAP and lease the assets to JWAP on 30 September 2010G for a period of 20 years. The cost of the lease is determined by LIBOR in US dollars plus a margin and is payable in semi-annual installments, (3) Cover loans of the Korean Export Insurance Company amounting to SAR 103.7 million from the financiers of the cover loan facilities of the Korean Export Insurance Company related to financing part of the project. Repayment terms require repayment in equal semi-annual installments as a percentage of the loan starting 30 September 2010G and ending 31 March 2024G. The facility carries an interest rate of the London Interbank Offered Rate (LIBOR in US dollars) plus a profit margin.

JWAP has entered into a general-terms agreement with financing parties. In accordance with the General Conditions Agreement, the financing parties share guarantee granted by JWAP. This guarantee includes charges levied on JWAP's assets (including factory and bank accounts) and major project contracts. The General Conditions Agreement also includes some conditions that obligate JWAP to maintain certain financial ratios and restrictions on additional debts and distributions to JWAP's partners.

Finance lease liabilities

Table (6.46): Official agreements signed with the Royal Commission for Jubail and Yanbu:

In SAR thousands	Signature date	Amount
First lease agreement - Jubail and Yanbu	2006	3,373,000
Second lease agreement - Yanbu	2016	1,526,619
Third lease agreement - Yanbu	2017	318,801
Fourth lease agreement - Jubail	2017	1,777,779
Fifth lease agreement - Yanbu	2018	13,118
Sixth lease agreement - Yanbu	2019	1,162
Seventh lease agreement - Yanbu	2020	510,962
Total		**7,521,445**

Source: Management information.

The financial lease liabilities (current and non-current portion) increased by 15.4% from SAR 3,321.0 million as of 31 December 2019G to SAR 3,833.1 million as of 31 December 2020G, due to the company's signing of the sixth lease agreement with the Royal Commission for Jubail and Yanbu during the same period.

The finance lease liabilities decreased by 15.7% to SAR 3,232.4 million as of 31 December 2021G as a result of the company's payment of finance lease liabilities amounting to SAR 619.4 million, and then decreased to SAR 3,232.1 million as of 31 March 2022G as a result of the company's payment of finance lease liabilities amounting to SAR 4.1 million during the same period.

Based on the official agreement signed between the company and the Royal Commission in 2006G, starting from 1 January 2003G, the Royal Commission leased the power and water operating facilities in Yanbu and the water operating facilities in Jubail to the company for a value of SAR 3,373.0 million, the company must pay the obligation under this lease the financing is in 20 equal annual installments, the value of each installment is SAR 168.7 million.

The company signed the second lease agreement in 2016G with the Royal Commission in Yanbu to obtain additional facilities for operating power and water, at a value of SAR 1,526.6 million. The Company shall repay the obligation under this finance lease in 25 annual instalments.

The company signed the third lease agreement in 2017G with the Royal Commission in Yanbu to obtain additional facilities for operating power and water, at a value of SAR 318.8 million. The Company shall repay the obligation under this finance lease in 25 annual instalments.

The company signed the fourth lease agreement in 2017G with the Royal Commission in Jubail to obtain additional facilities for operating power and water, at a value of SAR 1,777.8 million. The Company shall repay the obligation under this finance lease in 25 annual instalments.

The company signed the fifth lease agreement in 2018G with the Royal Commission in Yanbu to obtain additional water-operating facilities at a value of 13.1 million Saudi riyals. The Company shall repay the obligation under this finance lease in 25 annual instalments.

The company signed the sixth lease agreement in 2019G, while the assets were received in 2007G from the Royal Commission in Jubail and Yanbu under this financial lease in 29 annual installments, with the last payment due in 2034G. The Company has not yet paid any amount related to this Agreement.

The company signed the seventh lease agreement in the year 2020G with the Royal Commission in Yanbu to obtain additional facilities worth 511.0 million Saudi riyals. The Company shall repay the obligation under this finance lease in 25 annual instalments.

Other non-current liabilities

Table (6.47): Other non-current liabilities as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Obligation for assets transferred	1,066,927	799,415	1,362,717	13.0%	1,362,717	0.0%
Obligation for post-employment defined benefits	579,969	592,457	646,982	5.6%	659,440	1.9%
Deferred income - non-current portion	305,811	671,981	620,712	42.5%	614,053	(1.1%)
Employees' savings plan	42,412	43,603	51,628	10.3%	56,023	8.5%
Fair value of derivatives	63,512	132,722	50,026	(11.2%)	-	N.A
Retention payables	104,139	99,884	13,925	(63.4%)	17,609	26.5%
Others	6,294	6,531	6,642	2.7%	6,896	3.8%
Total	**2,169,064**	**2,346,593**	**2,752,632**	**12.7%**	**2,716,738**	**(50.8%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Obligation for assets transferred

The obligations of the transferred assets relate to the assets that have been transferred from the Royal Commission for Jubail and Yanbu and for which finance lease contracts have not yet been signed. Once the Royal Commission has finalized the total cost of these assets with the contractors, the finance leases will then be signed and the balances recorded under "**finance lease liabilities**" will be reclassified with the additional overhead and project management costs (which have historically ranged between 15% and 20%), in addition, the Group is required to pay all outstanding leases retroactive from the operating commercial date (the time at which the asset was transferred) in accordance with the master lease agreement. The Group has started recognizing a provision of up to 15% of the lease value received from the Royal Commission to cover any future additional costs upon signing the lease contracts (which is included within the liability value of the transferred assets at the reporting date). These relate to unsigned leases relating to assets from fiscal year 2019G onwards. It is worth noting that only SAR 339 million were provided from unsigned lease contracts as of 31 December 2021G (which relate to the assets signed in periods prior to 2019G).

Obligations for assets transferred decreased by 25.1% from SAR 1,066.9 million as of 31 December 2019G to SAR 799.4 million as of 31 December 2020G as a result of the Group's signing of the sixth lease agreement in the year 2019G.

Obligations for assets transferred increased by 70.5% from SAR 799.4 million as of 31 December 2020G to SAR 1,362.7 million as of 31 December 2021G and as of 31 March 2022G, mainly due to additions to the financial lease contracts that were not signed, amounting to SAR 563 million.

Obligation for post-employment defined benefits

The Company and its subsidiaries have a defined post-employment benefit plan. The benefits are calculated in accordance with the Group's policies and the Saudi Labor law. The Group recognizes the benefits in the consolidated statement of income. The benefits are based on the employees' latest salaries and bonuses and their cumulative years of service, as stipulated in the laws of the Kingdom of Saudi Arabia.

The obligation for post-employment defined benefits increased by 2.2% from SAR 580.0 million as of 31 December 2019G to SAR 592.5 million as of 31 December 2020G due to a current service cost amounting to SAR 66.9 million, in addition to an interest cost amounting to SAR 21.0 million. This was offset by benefits paid amounting to SAR 80.1 million and remeasurement losses amounting to SAR 4.7 million during the same period.

The obligation for post-employment defined benefits increased by 9.2% from SAR 592.5 million as of 31 December 2020G to SAR 647.0 million as of 31 December 2021G and then increased by 1.9% to SAR 659.4 million as of 31 March 2022G as a result of current service cost amounting to SAR 54.4 million, in addition to an interest cost amounting to SAR 24.7 million. This was offset by benefits paid of SAR 18.6 million and re-measurement profits amounting to SAR 5.9 million during the same period.

Deferred income - non-current portion

Customer contributions to items of property, plant and equipment that require an obligation from the Company to either connect the customer to a network or provide the customer with continuous access to electricity or water utilities, or both, are recognized at fair value when the Company and its subsidiaries have control over that item.

A corresponding credit is approved for deferred income for both current and non-current liabilities. Revenue is recognized and amortized over the contractual period stipulated in the benefits user agreement. Deferred revenue relates to: (1) customer-paid meters installed by the Group, and (2) customer-built meters and cables transferred to the Group's ownership. The deferred income balance increased by 119.7% from SAR 305.8 million as of 31 December 2019G to SAR 672.0 million as of 31 December 2020G, due to the amounts of assets funded by customers received from YASREF (one of Aramco's subsidiaries) in Yanbu and related to sea water cooling.

The balance decreased by 7.6% from SAR 672.0 million as of 31 December 2020G to SAR 620.7 million as of 31 December 2021G, and then by 1.1% to SAR 614.1 million as of 31 March 2022G, mainly due to the expiration of some contracts as well as a reclassification between current and non-current portion.

Employee savings plan

The company operates an employee savings plan on behalf of its employees that includes investing a portion of employees' salaries, ranging from 1% to 15%, where the Group matches the employee's contribution, and invests it over a maximum period of 12 years. The balance of an employee savings plan increased by 2.8% from SAR 42.4 million as of 31 December 2019G to SAR 43.6 million as of 31 December 2020G, driven by higher funds contributed from employees to the saving program.

The balance increased by 18.4% from SAR 43.6 million as of 31 December 2020G to SAR 51.6 million as of 31 December 2021G and then increased by 8.5% to SAR 56.0 million as of 31 March 2022G, mainly driven by higher funds contributed from employees to the saving program.

Fair value of derivatives

The fair value of the derivative represents the non-current portion which relates to JWAP's interest rate swaps in order to reduce its exposure to interest rate risk in exchange for long-term financing.

The non-current portion of the derivatives fair value amounted to SAR 63.5 million and increased by 109.0% to SAR 132.7 million and decreased by 62.3% to SAR 50.0 million as of 31 December 2019G, 2020G and 2021G, respectively.

Retention payables

Retention payables relate to a 10% deducted from the contractors and paid to them at the end of the contract term if they comply with all contractual requirements.

Retention payables decreased by 4.1% from SAR 104.1 million as of 31 December 2019G to SAR 99.9 million as of 31 December 2020G as a result of the expiration of some contracts.

Retention payables decreased by 86.1% from SAR 99.9 million as of 31 December 2020G, to reach SAR 13.9 million as of 31 December 2021G mainly due to the expiration of some contracts.

Retention payables then increased by 26.5% to SAR 17.6 million as of 31 March 2022G as a result of new contracts.

Other

Other non-current liabilities relate to security deposits by industrial, commercial, and government clients which are usually collateral for their installed meters.

Other non-current liabilities increased by 3.8% from SAR 6.3 million as of 31 December 2019G to SR 6.5 million as of 31 December 2020G as a result of the increase in the number of installed meters during the same period.

Other non-current liabilities increased by 1.7% from SAR 6.5 million as of 31 December 2020G to SAR 6.6 million as of 31 December 2021G and then increased by 3.8% to SAR 6.8 million as of 31 March 2022G, mainly due to the increase in the number of installed meters during the same period.

Deferred tax liabilities

Deferred tax liabilities increased from SAR 36.3 million as of 31 December 2019G to SAR 69.7 million as of 31 December 2020G and then increased to SAR 126.4 million as of 31 December 2021G and SAR 133.8 million as of 31 March 2022G, due to the increase in total provisions (such as inventory provision, accounts receivable provision and other provisions).

Current Liabilities

Table (6.48): Current Liabilities as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Current portion of bank and loan borrowings	275,688	456,657	361,066	14.4%	370,431	2.6%
Short term borrowings	-	-	-	NA	51,000	NA
Current portion of lease liabilities	365,258	721,248	367,330	0.3%	335,089	(8.8%)
Trade payables	607,479	584,693	612,327	0.4%	660,342	7.8%
Accrued expenses and other current liabilities	943,920	857,480	856,010	(4.8%)	783,122	(8.5%)
Total current liabilities	**2,192,345**	**2,620,078**	**2,196,733**	**0.1%**	**2,199,984**	**0.1%**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

(1) Discussed as part of Bank loans and borrowings section

(2) Discussed as part of the Financial Lease liabilities section

Accounts payable

Table (6.49): Accounts payable as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Trade payables	233,210	284,509	222,223	2.4%	248,150	(9.7%)
Due to related parties	239,924	159,116	140,913	(23.4%)	156,738	81.7%
Retention payable	98,560	104,743	211,883	46.6%	221,434	4.5%
Due to contractors	35,785	36,325	37,298	2.1%	34,020	(13.3%)
Total	**607,479**	**584,693**	**612,327**	**0.4%**	**660,342**	**7.8%**
Average days payables outstanding (1)	36	31	28	(8)	27	(1)

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G and management information

(1) The average payable days were calculated on the basis of the average payable excluding contractors' payable balances on fuel costs, chemicals, electricity and water costs, and operating and maintenance costs * 365 days.

Accounts payable mainly relate to purchases of raw materials, chemicals and other supplies. As of 31 March 2022G, trade payables accounted for 37.6% of the total payables, and retained payables as a percentage of the total payables accounted for 33.5%, and due to related parties as a percentage of the total payables accounted for 23.7%.

Trade payables

Trade payables represent payables to suppliers. Trade payables increased by 22.0% from SAR 233.2 million as of 31 December 2019G to SAR 284.5 million as of 31 December 2020G due to the increase in the number of contracts.

Trade payables decreased by 3.4% to SAR 274.9 million as of 31 December 2021G as a result of settlements of balances during the same period.

Trade payables decreased by 9.7% from SAR 274.9 million as of 31 December 2021G to SAR 248.2 million as of 31 March 2022G due to partial settlement of trade payable balances.

Due to related parties

Due to related parties decreased by 33.7% from SAR 239.9 million as of 31 December 2019G to SAR 159.1 million as of 31 December 2020G, due to the Group's settlement of some balances owed to the Saudi Electricity Company.

Due to related parties decreased by 45.8% from SAR 159.1 million as of 31 December 2020G to SAR 86.3 million as of 31 December 2021G as a result of the Group's settlement of some balances owed to the Saudi Electricity Company and Aramco.

Due to related parties increased by 81.7% from SAR 86.3 million as of 31 December 2021G to SAR 156.8 million as of 31 March 2022G due to the increase in the balance due to Aramco.

Retention Payable

Retention payables relate to amounts owed to contractors, which the Group withholds as security for performance for a period of one year after project completion (which often represents 10% of the contract value). Retention payables increased from SAR 98.6 million as of 31 December 2019G to SAR 104.7 million as of 31 December 2020G and further increased to SAR 211.9 million as of 31 December 2021G and SAR 221.4 million as of 31 March 2022G as a result of the increase in the amounts deducted from contractors as security for performance.

Due to contractors

The due to contractors represents the liquidated part of the bank guarantees provided by the contractors and some other contractors' dues.

Due to contractors increased by 15% from SAR 35.8 million as of 31 December 2019G to SAR 36.3 million as of 31 December 2020G due to a slight increase in other dues to contractors during the same period.

Due to contractors increased by 2.7% from SAR 36.3 million as of 31 December 2020G to SAR 37.3 million as of 31 December 2021G as a result of the liquidation of a number of bank guarantees provided by the contractors during the same period.

Due to contractors decreased by 13.3% from SAR 39.3 million as of 31 December 2021G to SAR 34.0 million as of 31 March 2022G due to the liquidation of a number of bank guarantees provided by the contractors during the same period.

Accrued Expenses and Other Current Liabilities

Table (6.50): Accrued Expenses and Other Current Liabilities as of 31 December 2019G, 2020G, and 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Inventory accruals	-	146,144	184,676	N.A	155,395	(15.9%)
Accrued expenses and other payables – related parties	181,961	173,957	182,155	0.1%	146,149	(19.8%)
Operation and maintenance accrued expenses	-	170,217	169,926	N.A	164,922	(2.9%)
Deferred income	29,063	54,430	56,567	39.5%	56,885	0.6%
Provision for Zakat and income tax	21,940	38,127	41,636	37.8%	55,952	34.4%
Fair value of derivatives	45,279	38,966	36,474	(10.2%)	1,393	(96.2%)
Accrued finance charges	34,352	13,881	23,780	(16.8%)	37,997	59.8%
Accrued expenses and other payables – others	544,325	221,758	160,796	(45.6%)	164,429	2.3%
Provision for employee benefits	87,000	-	-	N.A	-	N.A
Total	**943,920**	**857,480**	**856,010**	**(4.8%)**	**783,122**	**(8.5%)**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and management information

Inventory accruals

Inventory accrued expense relates to inventory received without invoices, which is recorded under a different account according to the Group's ERP system until invoices are received. The balance increased by 26.4% from SAR 146.1 million as of 31 December 2020G to SAR 184.7 million as of 31 December 2021G due to the increase in the volume of inventory received without invoices during the same period. It is worth noting that during the fiscal year 2019G, this item was classified under accrued expenses and other payable balances - other.

Inventory accruals decreased by 15.9% from SAR 184.7 million as of 31 December 2021G to SAR 155.4 million as of 31 March 2022G due to an increase in the volume of invoices recorded during the period.

Accrued expenses and other payable balances – related parties

Table (6.51): Accrued expenses and other credit balances - related parties as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Saudi Aramco Power Company ("SAPCO") and its subsidiaries	135,768	163,204	137,486	0.6%	34,429	(75.0%)
Saudi Electricity Company	35,890	1,914	33,640	(3.2%)	99,989	179.2%
Royal Commission for Jubail & Yanbu ("Royal Commission")	10,303	8,839	11,029	3.5%	11,731	6.4%
Total	**181,961**	**173,957**	**182,155**	**0.1%**	**146,149**	**(19.8%)**

Source: Management information.

Accrued expenses and other current liabilities payable to related parties relate to: (1) expenses to Saudi Aramco and its subsidiaries in relation to fuel and gas, (2) expenses to the Saudi Electricity Company due to non-receipt of energy consumption bills, and (3) expenses to the Royal Commission for Jubail and Yanbu in connection with the payment of the unpaid portion of finance leases.

Accrued expenses and other current liabilities payable to related parties decreased by 4.4% from SAR 182.0 million as of 31 December 2019G to SAR 174.0 million as of 31 December 2020G due to a decrease in the balance owed to the Saudi Electricity Company by SAR 33.4 million as a result of the settlement agreement that occurred between the Group and the Saudi Electricity Company during the same period.

Accrued expenses and other current liabilities payable to related parties increased by 4.7% from SAR 174.0 million as of 31 December 2020G to SAR 182.2 million as of 31 December 2021G as a result of the increase in the balance owed to the Saudi Electricity Company by SAR 31.7 million during the same period as a result of dues related to the main buyer in Jazan.

Accrued expenses and other current liabilities payable to related parties decreased by 19.8% from SAR 182.2 million as of 31 December 2021G to SAR 146.1 million as of 31 March 2022G due to the decrease in the balance due from Saudi Aramco and its subsidiaries as a result of settlements during the same period.

Operation and maintenance accrued expenses

The accrued expenses for operation and maintenance relate to operation and maintenance services in Jubail.

Operation and maintenance accrued expenses remained relatively stable at approximately SAR 170.2 million as of 31 December 2020G and 31 December 2021G, and then decreased by 2.9% to SAR 164.9 million as of 31 March 2022G as a result of adjustments to the balance. It is worth noting that during the fiscal year 2019G, this item was classified under accrued expenses and other payables balances - other.

Deferred revenue

Customer contributions to items of property, plant and equipment that require an obligation from the Company to either connect the customer to a network or provide the customer with continuous access to electricity or water utilities, or both, are recognized at fair value when the Company or its subsidiaries have control over that item. A corresponding credit is approved for deferred revenue for both current and non-current liabilities. Revenue is subsequently recognized and amortized over the contractual period stipulated in the benefits user agreement.

Deferred revenue relates to: (1) customer-paid meters installed by the Group, and (2) customer-built meters and cables transferred to the Group's ownership.

The current portion of deferred revenue increased by 87.3% from SAR 29.0 million as of 31 December 2019G to SAR 54.4 million as of 31 December 2020G, and then increased by 4.0% to SAR 56.6 million as of 31 December 2021G, as a result of the amounts of assets financed by customers received from YASREF (a subsidiary of Aramco) in Yanbu related to sea water cooling. The balance amounted to SAR 56.9 million as of 31 March 2022G as a result of the absence of changes to the balance during the period.

Provision for Zakat and income tax

The provision for zakat and income tax increased from SAR 21.9 million as of 31 December 2019G to SAR 38.1 million as of 31 December 2020G, then increased to SAR 41.6 million as of 31 December 2021G and SAR 56.0 million as of 31 March 2022G in line with the increase in the Zakat base calculations.

Fair value of derivatives

The fair value of derivatives relates to the current portion of the market value of interest rate derivatives held by JWAP, in order to reduce its exposure to interest rate risk, and hedges must be kept until the loan maturity date as changes in the fair value of the interest rate swap are recognized in the income statement.

The balance decreased by 13.9% from SAR 45.3 million as of 31 December 2019G to SAR 39.0 million as of 31 December 2020G, then decreased by 6.4% to SAR 36.5 million as of 31 December 2021G in line with changes in the market value of derivatives during the same period.

The balance decreased by 96.2% from SAR 36.5 million as of 31 December 2021G to SAR 1.4 million as of 31 March 2022G, due to changes in the market value of derivatives as a result of the changes in interest rates.

Accrued finance charges

Accrued finance charges relate to commission and interest on loans to MARAFIQ and JWAP.

Accrued finance charges decreased by 59.6% from SAR 34.4 million as of 31 December 2019G to SAR 13.9 million as of 31 December 2020G, and then increased by 71.3% to SAR 23.8 million as of 31 December 2021G, in line with the decrease in borrowings as a result of the restructuring of the Murabaha loans with Banque Saudi Fransi.

The balance increased by 59.8% from SAR 23.8 million as of 31 December 2021G to SAR 38.0 million as of 31 March 2022G due to the accrual of fees related to the Industrial Development Fund loan.

Accrued expenses and other payable balances – other

Accrued expenses and other payables relate primarily to accrued operation and maintenance costs, goods received without invoices that are recorded in a clearing account integrated into MARAFIQ's ERP system (SAP), and accrued expenses in Jubail primarily related to Sadara operation and maintenance costs and processed water provider (Al-Fath Company).

Accrued expenses and other payable balances decreased by 59.3% from SAR 544.3 million as of 31 December 2019G to SAR 221.8 million as of 31 December 2020G, due to the reclassification of accrued expenses for operation and maintenance and accrued expenses for inventory into two separate accounts based on the external auditor's recommendation during the same period.

Accrued expenses and other payable balances decreased by 27.5% from SAR 221.8 million as of 31 December 2020G to SAR 160.8 million as of 31 December 2021G driven by the decrease in employee entitlements of annual bonuses and accrued vacation balances.

Accrued expenses and other payable balances increased by 2.3% from SAR 160.8 million as of 31 December 2021G to SAR 164.4 million as of 31 March 2022G, due to an increase in value-added tax expenses by SAR 11.5 million due to a change in the timing of payments to the Authority during the same period.

Provision for employee cost optimization

During the fiscal year 2018G, the company conducted a test of a structural reorganization that includes an employee cost optimization plan in the same year, as the company intends to provide early retirement packages for employees who meet specific criteria in order to reduce the total employee costs and achieve more operating efficiency. This provision represents the Group's best estimate of expected costs as of the date of the consolidated financial statements. The provision for employee cost optimization amounted to SAR 87.0 million as of 31 December 2019G.

6.9.3 Contingent liabilities

Table (6.52): Contingent liabilities as of 31 December 2019G, 2020G, 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2022G (Reviewed)
Capital commitments	1,535,200	1,993,000	1,897,000	1,917,000
Contingent liabilities	301,100	425,700	524,900	525,400
Total	**1,836,300**	**2,418,700**	**2,421,900**	**2,442,400**

Source: Consolidated audited financial statements for the fiscal years ending 31 December 2019G, 2020G, and 2021G, the consolidated reviewed financial statements for the three-month period ending 31 March 2022G

Capital commitments

In SAR thousands	31 December 2019G (Management information)	31 December 2020G (Management information)	31 December 2021G (Management information)	31 March 2022G (Management information)
Capital commitments related to Jubail projects	1,045,685	1,487,471	1,282,132	1,212,209
Capital commitments related to Yanbu projects	462,350	472,620	553,690	643,963
Capital commitments related to other projects	27,165	32,909	61,178	60,827
Total	**1,535,200**	**1,993,000**	**1,897,000**	**1,917,000**

Source: Management information

Capital commitments relate to capital project contracts entered by the Group at the end of the year / period but not incurred.

Capital commitments increased from SAR 1,535.2 million as of 31 December 2019G to SAR 1,993.0 million as of 31 December 2020G driven by additions to Jubail projects.

Capital commitments decreased from SAR 1,993.0 million as of 31 December 2020G to SAR 1,897.0 million as of 31 December 2021G and SAR 1,917.0 million as of 31 March 2022G driven by the completion of projects in Yanbu.

Contingent liabilities

Contingent liabilities relate to bank guarantees and letters of credit issued by the banks with which the Group transacts on behalf of the Group in the normal course of business.

Other liabilities

Tawreed has entered into an agreement with Aramco to purchase the fuel needed for the Independent Power and Water Plant for a period of 20 years, and the cost of the fuel will be paid by the selling parties on a monthly basis without any margin.

6.9.4 Statement of cashflows

Table (6.53): Consolidated cash flow statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2022G (reviewed)
Cash flows from operating activities				
Profit for the year / period	213,043	290,468	664,654	142,948
Adjustments for:				
Depreciation of property, plant and equipment	1,321,519	1,335,867	1,140,672	286,918
Amortization of intangible assets	7,075	4,543	28,461	1,616
Amortization of deferred revenue	(30,230)	(55,457)	(58,638)	(14,216)
Amortization of deferred employee benefits	12,114	11,159	5,584	1,396
(Reversal) / charge for provision for impairment of trade receivables	-	3,000	(1,873)	-
Provision for employee cost optimization	87,000	-	-	-
Loss of disposal of property and equipment	-	-	3,818	-
Other provision	7,377	31,637	-	-
Provision for slow moving and obsolete inventory	11,347	11,532	25,161	2,304
Provision for employees' benefits	79,902	87,898	79,077	14,993
Share of gain from investments in equity accounted investees	21	-	(849)	(542)
Financial income	(39,814)	(22,884)	(19,606)	(6,582)
Financial costs	545,215	314,896	236,518	59,172
Zakat and Income Tax Charge	(2,606)	81,591	116,999	20,928
Changes in:				
Trade receivables	257,686	(102,186)	74,542	(133,199)
Inventories	(51,226)	(61,547)	13,834	3,608
Prepayments and other current assets	549,193	113,778	100,570	7,346
Long term receivables and other assets	87,311	87,531	51,104	10,121
Trade Payables	307,263	(22,786)	27,634	48,015
Accrued expenses and other current liabilities	(408,906)	(139,125)	(3,605)	(59,378)
Net change in other non-current liabilities	-	-	-	15,890
Net change in working capital	**741,321**	**(124,335)**	**264,079**	**(107,597)**
Cash generated from operating activities	2,953,284	1,969,915	2,484,057	401,338
Employees' benefits paid	(132,276)	(80,149)	(18,627)	(2,535)
Interest paid	(447,190)	(285,920)	(181,476)	(34,682)
Zakat and income tax paid	(31,585)	(33,934)	(53,941)	(6,960)

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2022G (reviewed)
Net cash from operating activities	**2,342,233**	**1,569,912**	**2,230,013**	**357,161**
Cash flow from investing activities				
Additions to property, plant and equipment, net	(640,010)	(582,593)	(786,442)	(153,231)
Additions to intangible assets	(64)	(106)	(9)	(842)
Investment in associate	(56)	(315)	-	-
Acquisition of a non-controlling interest	-	-	(57,298)	-
Interest income on short-term deposits	31,516	12,115	10,348	3,870
Net movement in short-term deposits	17,100	(1,190,300)	(195,900)	(12,800)
Net cash used in investing activities	**(591,514)**	**(1,761,199)**	**(1,029,301)**	**(163,003)**
Cash flows from financing activities				
Repayment of loans and borrowings	(7,543,388)	(156,344)	(484,581)	(87,177)
Proceeds from loans and advances	6,400,000	-	-	-
Proceeds from short-term borrowings	173,400	173,400	173,400	51,000
Repayment of short-term borrowings	(173,400)	(173,400)	(173,400)	-
Payment of lease obligation	(353,635)	(35,351)	(619,370)	(4,069)
Net change in other non-current liabilities	(422,535)	9,784	(68,317)	-
Dividends paid, net of Zakat	(110,087)	(117,331)	(140,605)	-
Net cash used in financing activities	**(2,029,645)**	**(299,242)**	**(1,312,873)**	**(40,246)**
Net change in cash and cash equivalents	**(278,926)**	**(490,529)**	**(112,161)**	**153,912**
Cash and cash equivalents at the beginning of the year / period	1,364,270	1,085,344	594,815	482,654
Cash and cash equivalents at the end of the year / period	1,085,344	594,815	482,654	636,566

Source: Consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and reviewed financial statements for the period ending 31 March 2022G.

Table (6.54): Significant Non-Cash Transactions for the Fiscal Years ending 31 December 2019G, 2020G, 2021G and the Three Month Period Ending 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2022G (Reviewed)
Transfer of property, plant and equipment from the Royal Commission	428,909	243,455	563,851	-
Additions to right-of-use assets	428,593	532,825	4,259	-
Non-cash consideration: received assets generated by customers	816	440,696	-	-
Capitalized spare parts to inventory	12,298	-	-	-
Dividend payable to the non-controlling interest	(18,930)	-	-	-
Transfers to intangible assets from capital work in progress	3,555	14,652	32,863	-
Change in fair value reserve to hedge the cash flows of investee companies	(33,176)	(62,897)	95,626	105,726
Dividend receivable relating to the non-controlling interest transferred to the parent company upon acquisition		-	12,735	-

Source: Consolidated audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and reviewed financial statements for the period ending 31 March 2022G.

Net cash from operating activities

Net cash from operating activities decreased by 33.0% from SAR 2,342.2 million in 2019G to SAR 1,569.9 million in 2020G, due to: (1) the increase in trade receivable from SAR 807.6 million to SAR 906.8 million as a result of receivables from clients other than the related parties that increased in line with the increase in revenue, (2) the decrease in accounts payable from SAR 607.5 million to SAR 584.7 million as a result of settlement of the Saudi Electricity Company's dues, (3) the decrease in accrued expenses and other current liabilities from SAR 943.9 million to SAR 857.5 million due to a decrease in accrued expenses and other payable balances as a result of the settlement of the Saudi Electricity Company balance during the same period.

Net cash from operating activities increased by 42.0% from SAR 1,569.9 million in 2020G to SAR 2,230.1 million in 2021G, mainly due to: (1) the decrease in prepayments and other current assets from SAR 482.3 million to SAR 384.2 million as a result of a decrease in advance payments and other receivables due to employee settlements and a decrease in the Saudi Electricity Company margin as a result of the settlements that took place during the period, (2) the decrease in trade receivables from SAR 906.8 million to SAR 834.1 million in line with the improvement in the collection process from government clients, (3) the increase in trade payables from SAR 584.7 million to SAR 612.3 million due to the increase in the retention payable balance, and (4) the increase in net profit from SAR 290.5 million to SAR 664.7 million during the same period.

Net cash from operating activities amounted to SAR 341.3 million in the three-month period ending 31 March 2022G, as a result of an increase in receivables from clients other than related parties in line with the increase in revenue.

Net cash used in investing activities

Net cash used in investing activities increased by 197.7% from SAR 591.5 million in 2019G to SAR 1,761.2 million in 2020G due to the increase in net movement in short-term deposits from a cash inflow amounting to SAR 17.1 million to cash outflow amounting to SAR 1,190.3 million whereby the Group invested more in short-term deposits during the same period.

Net cash used in investing activities decreased by 41.6% from SAR 1,761.2 million in 2020G to SAR 1,029.3 million in 2021G, as a result of acquiring the minority rights in MASA Services Company for Operation and Maintenance ("MASA") amounting to SAR 57.3 million (at book value), as well as an increase in additions to property, plant and equipment, amounting to SAR 786.4 million during the same period.

Net cash used in investing activities amounted to SAR 163.0 million in the three-month period ending 31 March 2022G as a result of additions to property and equipment amounting to SAR 153.2 million during the same period.

Net cash used in financing activities

Net cash used in financing activities decreased by 85.3% from SAR 2,029.6 million in 2019G to SAR 299.2 million in 2020G, due to: (1) the decrease in proceeds from loans and borrowings from SAR 6,400.0 million in 2019G to nil in in 2020G, (2) the decrease in the repayments of loans and borrowings from SAR 7,543.4 million to SAR 156.3 million due to the restructuring of loans with Banque Saudi Fransi, which includes a 5-year grace period since the date of the agreement in 2019G, (3) the decrease in the repayment of the financial lease obligation from SAR 353.6 million to SAR 35.4 million due to the absence of a clause to pay the financial lease obligations for the assets transferred from the Royal Commission for Jubail and Yanbu in 2020G.

Net cash used in financing activities increased by 338.7% from SAR 299.2 million in 2020G to SAR 1,312.9 million in 2021G as a result of: (1) the increase in the repayment of the financing lease liability, which amounted to SAR 619.4 million driven by the payment of the financial lease liability, (2) the increase in the repayment of loans and borrowings from SAR 156.3 million to SAR 484.6 million, (3) the increase in dividends paid from SAR 117.3 million to SAR 140.6 million during the same period.

Net cash used in financing activities amounted to SAR 24.4 million in the three-month period ending 31 March 2022G as a result of the repayment of loans and advances amounting to SAR 87.2 million. This was offset by the proceeds of short-term loans amounting to SAR 51.0 million during the same period.

6.9.5 Operating segments according to the external audit report in the financial statements

The following tables show the method of displaying the operating segments according to the external audit report in the financial statements, as the consolidation adjustments are not distributed at the segment level, while the results of the segments (as shown in the revenue by operating segments in the Revenue section) were analyzed based on management information, as consolidation and other related adjustments were distributed at each operating segment level.

Table (6.55): Operating segments for the fiscal year ending 31 December 2019G:

In SAR thousands	Power	Water	Gas	JWAP	Tawreed	General operations	Adjustments	Total
External customers	1,527.60	2,284,384	32,918	-	2,246,883	16,055	-	6,107,841
Inter segment	-	508,677	-	342,312	360.206	-	(1,211,195)	-
Total revenue	1,527.60	2,793,061	32,918	342,312	2,607,089	16,055	(1,211,195)	6,107,841
Depreciation and Amortization	(505,647)	(594,419)	(3,158)	(8,892)	-	(35,931)	(171,764)	(1,319,811)
Others	(571,547)	(1,826,752)	(51,510)	(113,954)	(2,599,168)	(587,724)	1,482,287	(4,268,368)
Total cost of revenue	(1,077,194)	(2,421,171)	(54,668)	(122,846)	(2,599,168)	(623,655)	1,310,523	(5,588,179)
Share of loss in equity accounted investees	-	-	-	-	-	(21)	-	(21)
Administrative and other expenses	-	-	-	(5,569)	(7,921)	(214,194)	-	(227,684)
Depreciation and Amortization	-	-	-	-	-	(8,783)	-	(8,783)
Total administrative and other expenses	-	-	-	(5,569)	(7,921)	(222,977)	-	(236,467)
Other income/ expenses and financing income, net	(157)	(484)	-	1,255	3,271	473,857	(5,264)	472,478
financing cost	-	(469)	-	(130,725)	(1,762)	(416,146)	3,887	(545,215)
Zakat expense and income tax	-	(5,311)	-	(8,519)	-	16,675	(239)	2,606
Net profit/(loss) for the year	450,250	365,626	(21,750)	75,908	1,509	(756,212)	97,712	213,043
Non-controlling share	-	(14,773)	-	-	-	-	-	(14,773)

In SAR thousands	Power	Water	Gas	JWAP	Tawreed	General operations	Adjustments	Total
As of 31 December 2019G								
Total assets	8,670,475	10,380,661	149,492	2,725,978	521,636	3,122,619	(2,060,391)	23,510,470
Total liabilities	(7,776,525)	(9,663,959)	(158,101)	(2,725,978)	(521,636)	(4,724,662)	2,060,391	(23,510,470)

Source: Consolidated audited financial statements ending 31 December 2020G

Table (6.56): Operating segments for the fiscal year ending 31 December 2020G:

In SAR thousands	Power	Water	Gas	JWAP	Tawreed	General operations	Adjustments	Total
External customers	1,487,542	2,326,161	40,078	-	2,237,783	-	-	6,091,564
Inter segment	-	498,842	-	339,030	357,734	14,445	(1,210,051)	-
Total revenue	1,487,542	2,825,003	40,078	339,030	2,595,517	14,445	(1,210,051)	6,091,564
Depreciation and Amortization	(522,862)	(626,470)	(3,584)	(2,138)	-	(9,430)	(170,351)	(1,334,835)
Other	(850,116)	(1,894,757)	(38,853)	(132,138)	(2,587,153)	-	1,374,557	(4,128,460)
Total cost of revenue	(1,372,978)	(2,521,227)	(42,437)	(134,276)	(2,587,153)	(9,430)	1,204,206	(5,463,295)
Impairment loss on trade receivables	-	-	-	-	-	(3,000)	-	(3,000)
Administrative and other expenses	(41,070)	(83,542)	(373)	(5,359)	(8,363)	(20,253)	17,736	(141,224)
Depreciation and Amortization	(1,575)	(3,974)	(26)	-	-	-	-	(5,575)
Total administrative and other expenses	(42,645)	(87,516)	(399)	(5,359)	(8,363)	(20,253)	17,736	(146,799)
Other income/expenses and financing income, net	-	2,260	-	557	1,959	210,077	(6,368)	208,485
financing cost	(93,246)	(118,568)	-	(90,539)	(1,635)	(4,544)	(6,364)	(314,896)
Zakat expense and income tax	(41,339)	(18,089)	(119)	(8,102)	-	(13,728)	(214)	(81,591)
Net profit/(loss) for the year	(62,666)	81,863	(2,877)	101,311	325	173,567	(1,055)	290,468
Non-controlling share	-	(23,543)	-	-	-	-	-	(23,543)
As of 31 December 2020G								
Total assets	8,367,841	10,880,598	261,519	2,583,869	499,059	3,082,951	(1,564,030)	24,111,807
Total liabilities	(2,462,049)	(5,574,092)	(12,922)	(2,056,942)	(490,347)	(6,760,206)	232,137	(17,124,421)

Source: Consolidated audited financial statements ending 31 December 2021G

Table (6.57): Operating segments for the fiscal year ending 31 December 2021G:

In SAR thousands	Power	Water	Gas	JWAP	Tawreed	General operations	Adjustments	Total
External customers	1,576,258	2,330,664	66,300	-	2,219,065	-	-	6,192,287
Inter segment	-	508,540	-	330,791	358,063	5,894	(1,203,288)	-
Total revenue	1,576,258	2,839,204	66,300	330,791	2,577,128	5,894	(1,203,288)	6,192,287
Depreciation and Amortization	(389,135)	(589,275)	(3,414)	(2,145)	-	(5,145)	(171,765)	(1,160,879)
Other	(871,217)	(1,833,862)	(57,929)	(146,852)	(2,568,451)	-	1,351,581	(4,126,730)
Total cost of revenue	(1,260,352)	(2,423,137)	(61,343)	(148,997)	(2,568,451)	(5,145)	1.179,816	(5,287,609)
Impairment loss on trade receivables	1,444	429	-	-	-	-	-	1,873
Administrative and other expenses	(46,668)	(86,664)	(410)	(4,649)	(8,677)	(5,491)	15,817	(136,742)
Depreciation and Amortization	(2,552)	(5,640)	(62)	-	-	-	-	(8,254)
Total administrative and other expenses	(49,220)	(92,304)	(472)	(4,649)	(8,677)	(5,491)	15,817	(144,996)
Other income/expenses and financing income, net	-	1,392	-	203	1,615	257,841	(5,284)	255,767
financing cost	(70,748)	(90,139)	-	(72,068)	(1,503)	(4,531)	2,471	(236,518)
Share in the results of companies invested in by the equity method	-	-	-	-	-	849	-	849
Zakat expense and income tax	(63,456)	(24,243)	(275)	(7,672)	-	(21,304)	(49)	(116,999)
Net profit/(loss) for the year	133,926	211,202	4,210	97,608	112	228,113	(10,517)	664,654
Non-controlling share	-	32,655	-	-	-	-	-	32,655
As of 31 December 2021G								
Total assets	8,752,713	10,805,604	163,196	2,409,735	481,912	3,248,055	(1,751,308)	24,109,907
Total liabilities	(3,295,429)	(5,778,607)	(19,168)	(1,806,009)	(479,976)	(5,469,937)	290,305	(16,558,821)

Source: Consolidated audited financial statements ending 31 December 2021G

6.9.6 The results of operations for the financial years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G for MASA Services Company for Operation and Maintenance ("MASA"), MARAFIQ Water and Power Supply Company ("Tawreed"), and Jubail Water and Power Supply Company ("JWAP")

A- MASA Services Company for Operation and Maintenance ("MASA")

Income Statement

Table (6.58): Statement of comprehensive income for the fiscal years ending in 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Reviewed)	Three-month period ending 31 March 2022G (Reviewed)	31 March 2021G-2022G variance
Revenue	508,677	532,563	508,540	4.7%	(4.5%)	0.0%	123,287	111,940	(9.2%)
Cost of services	(427,283)	(437,441)	(409,460)	2.4%	(6.4%)	(2.1%)	(82,847)	(88,352)	6.6%
Gross profit	**81,394**	**95,122**	**99,080**	**16.9%**	**4.2%**	**10.3%**	**40,440**	**23,588**	**(41.7%)**
General and Administrative expenses	(42,985)	(35,195)	(31,785)	(18.1%)	(9.7%)	(14.0%)	(8,013)	(7,956)	(0.7%)
Impairment loss on financial assets	-	(3,047)	(1,342)	N.A	(56.0%)	N.A	-	-	-
Other operating income-net	(77)	1,791	863	(2426.0%)	(51.8%)	N.A	751	189	(74.8%)
Operating profit	**38,332**	**58,671**	**66,816**	**53.1%**	**13.9%**	**32.0%**	**33,178**	**15,821**	**(52.3%)**
Finance costs	(686)	(319)	(541)	(53.5%)	69.6%	(11.2%)	(121)	(73)	(39.7%)
Finance income	178	620	529	248.2%	(14.7%)	72.4%	85	62	(27.1%)
Finance (costs) income-net	**(508)**	**301**	**(12)**	**(159.3%)**	**(104.0%)**	**(84.6%)**	**(36)**	**(11)**	**(69.4%)**
Profit before zakat and income tax	37,824	58,972	66,804	55.9%	13.3%	32.9%	33,142	15,810	(52.3%)
Zakat expense	(580)	(912)	(2,114)	57.2%	131.8%	90.9%	(103)	(134)	29.9%
Income tax expense	(4,731)	(6,736)	(9,346)	42.4%	38.7%	40.6%	(1,888)	(472)	(75.0%)
Profit for the year	**32,513**	**51,324**	**55,344**	**57.9%**	**7.8%**	**30.5%**	**31,151**	**15,204**	**(51.2%)**
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:									
Loss attribute tore-measurement of employee benefit obligations	(382)	(2,853)	(4,204)	647.0%	47.4%	231.8%	-	-	N.A
Deferred tax related to re-measurement of employee benefits obligations	47	305	209	548.9%	(31.5%)	110.9%	-	-	N.A
Total comprehensive income for the year	**32,178**	**48,776**	**51,349**	**51.6%**	**5.3%**	**26.3%**	**31,151**	**15,204**	**(51.2%)**

Source: Audited financial statements for the financial years ending 31 December 2019G, 2020G, and 2021G, and the Reviewed financial statements for the period ending 31 March 2022G.

Table (6.59): Key performance indicators for the fiscal years ending in 2019G, 2020G and 2021G, and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Management information)	Fiscal year 2020G (Management information)	Fiscal year 2021G (Management information)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Management information)	Three-month period ending 31 March 2022G (Management information)	31 March 2021G-2022G variance
As a percentage of revenue									
Gross profit	16.0%	17.9%	19.5%	1.9	1.6	3.5	32.8%	21.1%	(11.7)
General and administrative expenses	8.5%	6.6%	6.3%	(1.8)	(0.4)	(2.2)	6.5%	7.1%	0.6
Operating profit	7.5%	11.0%	13.1%	3.5	2.1	5.6	26.9%	14.1%	(12.8)
Profit before zakat and income tax	7.4%	11.1%	13.1%	3.6	2.1	5.7	26.9%	14.1%	(12.8)
Profit for the year / period	**6.4%**	**9.6%**	**10.9%**	**3.2**	**1.2**	**4.5**	**25.3%**	**13.6%**	**(11.7)**

Source: Management information

Revenue

Revenue relates primarily to the operation and maintenance of the MARAFIQ's plants and revenue from utility services.

Revenue increased by 4.7% from SAR 508.7 million in 2019G to SAR 532.6 million in 2020G driven by the increase in other services revenue and execution of capital projects revenue in line with the number of projects during the same period.

Revenue decreased by 4.5% from SAR 532.6 million in 2020G to SAR508.5 million in 2021G driven by the decrease in other services revenue and execution of capital projects revenue driven by the number of projects during the same period.

Revenue decreased by 9.2% from SAR 123.3 million in the three-month period ending 31 March 2021G to SAR 111.9 million in the three-month period ending 31 March 2022G as a result of the change in the contract revenue recognition which led to this difference. It should be noted that MASA revenue depends on the performance and budget of MARAFIQ, as it is MASA's sole client.

Cost of services

Cost of services mainly comprise of salaries and benefits, repairs and maintenance expenses, and spare parts consumed among other expenses.

Cost of services increased by 2.4% from SAR 427.3 million in 2019G to SAR 437.4 million in 2020G driven by the increase in depreciation expenses by SAR 7.8 million, coupled with the increase in the sludge disposal cost by SAR 3.3 million in line with the additional maintenance needs of MARAFIQ.

Cost of services decreased by 6.4% from SAR 437.4 million in 2020G to SAR 409.5 million in 2021G driven by the decrease in salaries and benefits by SAR 30.0 million due to the decline in the number of employees, in addition to a decrease in inventories and spare parts depreciation by SAR 11.5 million. This was partially offset by an increase in repair and maintenance expenses by SAR 18.0 million as a result of the fire incident that occurred at one of the facilities of MARAFIQ during the same period.

Cost of services increased by 6.6% from SAR 82.8 million in the three-month period ending 31 March 2021G to SAR 88.4 million in the three-month period ending 31 March 2022G, due to the increase in the prices of repair and maintenance materials.

General and administrative expenses

General and administrative expenses mainly consist of salaries and benefits, information technology related expenses, and depreciation charges among other expenses.

General and administrative expenses decreased by 18.1% from SAR 43.0 million in 2019G to SAR 35.2 million in 2020G as a result of a one-time provision recorded in 2019G related to a provision against advances to a supplier amounting to SAR 6.0 million.

General and administrative expenses decreased by 9.7% from SAR 35.2 million in 2020G to SAR 31.8 million in 2021G due to a decrease in salaries and benefits by SAR 1.4 million in line with the decrease in the number of employees.

General and administrative expenses remained relatively stable and amounted to approximately SAR 8.0 million in the three-month period ending 31 March 2021G and 2022G.

Impairment loss on financial assets

The impairment loss on financial assets relates to the expected losses on receivables as a result of the Group's application of IFRS 9 based on the simplified approach which is based on the average allowance for doubtful debts expected over the lives of the receivables at the date of each financial statement.

The impairment loss on financial assets amounted to SAR 3.0 million in 2020G then decreased by 56.0% to SAR 1.3 million in 2021G due to the improvement in the collection process during the same period.

Other operating income-net

Other operating income increased by 2,426.0% from an expense amounting to SAR 77 thousand in 2019G to an income of SAR 1.8 million in 2020G as a result of the increase in penalties charged to contractors, then it decreased to SAR 863 thousand in 2021G as a result of the decrease in penalties charged to contractors.

Other operating income decreased by 74.8% from SAR 751 thousand in the three-month period ending 31 March 2021G to SAR 189 thousand in the three-month period ending 31 March 2022G due to the decrease in penalties charged to contractors.

Finance costs

Finance costs mainly relate to interest on lease liabilities and bank charges on letters of credit and performance bonds.

Finance costs decreased by 53.5% from SAR 686 thousand in 2019G to SAR 319 thousand in 2020G mainly due to the settlement of long-term loans, which led to a decrease in the interest expense on long-term loans to nil in 2020G, coupled with the decrease in interest on lease liabilities by SAR 6.7 million.

Finance costs increased by 69.6% from SAR 319 thousand in 2020G to SAR 541 thousand in 2021G as a result of the increase in interest on lease liabilities by SAR 2.4 million.

Finance costs amounted to SAR 121 thousand in the three-month period ending 31 March 2021G and SAR 73 thousand in the three-month period ending 31 March 2022G.

Finance income

Finance income mainly relates to Murabaha deposits.

Finance income increased by 248.3% from SAR 178 thousand in 2019G to SAR 620 thousand in 2020G.

Finance income decreased by 14.7% from SAR 620 thousand in 2020G to SAR 529 thousand in 2021G in line with the decrease in short-term deposits during the same period.

Finance income decreased by 27.1% from SAR 85 thousand in the three-month period ending 31 March 2021G to SAR 62 thousand in the three-month period ending 31 March 2022G, in line with the decrease in the balance of short-term deposits during the same period.

Zakat expense

Zakat expense increased by 57.2% from SAR 580 thousand in 2019G to SAR 912 thousand in 2020G and then increased by 131.8% to SAR 2.1 million in 2021G in line with an increase in the zakat base in addition to an increase in pre-tax income during the same period.

Zakat expense increased by 29.9% from SAR 103 thousand in the three-month period ending 31 March 2021G to SAR 134 thousand in the three-month period ending 31 March 2022G in line with the increase in the zakat base during the same period.

Income tax expense

Income tax expense increased by 42.4% from SAR 4.7 million in 2019G to SAR 6.7 million in 2020G, then increased by 40.6% to SAR 9.3 million in 2021G, mainly related to the foreign shareholders in MASA.

Income tax expense decreased by 75.0% from SAR 1.9 million in the three-month period ending 31 March 2021G to SAR 472 thousand in the three-month period ending 31 March 2022G in line with the decrease in income during the same period.

6.9.7 Balance sheet (Statement of financial position)

Table (6.60): Balance sheets as of 31 December 2019G, 2020G, and 2021G, and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Assets						
Non-current assets						
Property and equipment	29,513	26,004	22,135	(13.4%)	20,737	(6.3%)
Right-of-use assets	7,506	20,041	12,108	27.0%	10,125	(16.4%)
Intangible assets	11	6	1	(69.8%)	-	N.A
Deferred tax assets	4,707	6,746	3,648	(12.0%)	3,528	(3.3%)
Total non-current assets	**41,737**	**52,797**	**37,892**	**(4.7%)**	**34,390**	**(9.2%)**
Current assets						
Inventories	44,175	46,003	47,633	3.8%	46,951	(1.4%)
Trade and other receivables	168,594	59,566	74,836	(33.4%)	132,169	(76.6%)
Short Term Murabaha Deposit	2,000	-	-	(100.0%)	-	0.0%
Cash and cash equivalents	24,081	149,023	202,498	190.0%	93,740	(53.7%)
Total current assets	**238,850**	**254,592**	**324,967**	**16.6%**	**272,860**	**(16.0%)**
Total assets	**280,587**	**307,389**	**362,859**	**13.7%**	**307,250**	**(15.3%)**
Equity and liabilities						
Equity						
Share capital	35,000	35,000	35,000	0.0%	35,000	0.0%
Statutory reserve	10,500	10,500	10,500	0.0%	10,500	0.0%
Retained earnings	38,573	64,120	85,122	48.6%	44,981	(47.2%)
Total Equity	**84,073**	**109,620**	**130,622**	**24.6%**	**90,481**	**(30.7%)**
non-current liabilities						
Lease liabilities	-	12,259	4,280	N.A	5,831	36.2%
Employee benefit obligations	29,313	34,367	43,118	21.3%	44,551	3.3%
Total non-current liabilities	**29,313**	**46,626**	**47,398**	**27.2%**	**50,382**	**6.3%**
Current liabilities						

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Trade and other payables	157,931	138,976	175,999	5.6%	160,586	(8.8%)
Current portion of lease liabilities	7,657	7,782	7,979	2.1%	4,452	(44.2%)
Zakat and income tax payable	1,613	4,385	861	(26.9%)	1,349	56.7%
Total current Liabilities	**167,201**	**151,143**	**184,839**	**5.1%**	**166,387**	**(10.0%)**
Total Liabilities	**196,514**	**197,769**	**232,237**	**8.7%**	**216,769**	**(6.7%)**
Total Equity and liabilities	**280,587**	**307,389**	**362,859**	**13.7%**	**307,250**	**(15.3%)**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G, and reviewed financial statements for the financial period ending 31 March 2022G

Non-current assets

Non-current assets increased by 26.5% from SAR 41.7 million as of 31 December 2019G to SAR 52.8 million as of 31 December 2020G, due to an increase in the right of use assets by SAR 12.5 million as a result of additions amounting to SAR 20.0 million. This was offset by a decrease in property, plant and equipment by SAR 3.5 million driven by depreciation during the same period.

Non-current assets decreased by 28.2% from SAR 52.8 million as of 31 December 2020G to SAR 37.9 million as of 31 December 2021G, due to the decrease in the right to use assets by SAR 7.9 million and a decrease in property, plant and equipment by SAR 3.9 million mainly driven by depreciation during the same period.

Non-current assets decreased by 9.2% from SAR 37.9 million as of 31 December 2021G to SAR 34.4 million as of 31 March 2022G, due to the decrease in the right of use assets by SAR 2.0 million and a decrease in property, plant and equipment by SAR 1.4 million driven by depreciation during the same period.

Current assets

Current assets increased by 6.6% from SAR 238.9 million as of 31 December 2019G to SAR 254.6 million as of 31 December 2020G driven an increase in cash and cash equivalents by SAR 124.9 million as a result of an increase in cash from operating activities by SAR 99.9 million during the same period. This was offset by a decrease in trade and other receivables by SAR 109.0 million, driven by the decrease in receivables from related parties during the same period.

Current assets increased by 27.6% from SAR 254.6 million as of 31 December 2020G to SAR 325.0 million as of 31 December 2021G driven by an increase in cash and cash equivalents by SAR 53.5 million coupled with an increase in other receivables balances by SAR 15.3 million, as a result of the increase in receivables from related parties during the same period.

Current assets decreased by 16.0% from SAR 325.0 million as of 31 December 2021G to SAR 272.9 million as of 31 March 2022G driven by the decrease in cash and cash equivalents by SAR 108.8 million during the same period.

Equity

Equity increased by 30.4% from SAR 84.1 million as of 31 December 2019G to SAR 109.6 million as of 31 December 2020G, then increased by 19.2% to SAR 130.6 million as of 31 December 2021G.

Equity decreased by 30.7% to SAR 90.5 million as of 31 March 2022G driven by the decrease in retained earnings by SAR 40.1 million as a result of dividend distribution during the same period.

on-current liabilities

Non-current liabilities increased by 59.1% from SAR 29.3 million as of 31 December 2019G to SAR 46.6 million as of 31 December 2020G mainly driven by the increase in lease liabilities by SAR 12.3 million as a result of signing lease agreements, coupled with the employee benefits obligations by SAR 5.1 million during the same period.

Non-current liabilities increased by 1.7% to SAR 47.4 million as of 31 December 2021G, due to an increase in employee benefits obligations by SAR 8.8 million during the same period.

Non-current liabilities increased by 6.3% from SAR 47.4 million as of 31 December 2021G to SAR 50.4 million as of 31 March 2022G, due to the increase in employee benefits obligations during the same period.

Current liabilities

Current liabilities decreased by 9.6% from SAR 167.2 million as of 31 December 2019G to SAR 151.1 million as of 31 December 2020G, due to a decrease in trade and other payables by SAR 19.0 million driven by the decrease in balances from related parties from SAR 37.6 million to nil as a result of settlements. This was offset by the increase in the zakat provision in line with the increase in the zakat base during the same period.

Current liabilities increased by 22.3% from SAR 151.1 million as of 31 December 2020G to SAR 184.8 million as of 31 December 2021G due to the increase in trade and other payables by SAR 37.0 million driven by the increase in dividends payable during the same period.

Current liabilities decreased by 10.0% from SAR 184.8 million as of 31 December 2021G to SAR 166.4 million as of 31 March 2022G, due to the decrease in trade and other payables by SAR 15.4 million driven by dividends paid to MARAFIQ during the same period.

Table (6.61): Property and equipment as of 31 December 2019G, 2020G and 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Cost						
Machinery and heavy equipment	61,019	63,920	66,043	4.0%	66,043	0.0%
Tools and equipment	22,422	23,449	25,088	5.8%	25,735	2.6%
Furniture and fixtures	3,430	3,534	3,622	2.8%	3,622	0.0%
Total	86,871	90,903	94,753	4.4%	95,400	0.7%
Accumulated depreciation						
Machinery and heavy equipment	38,878	43,714	48,869	12.1%	50,158	2.6%
Tools and equipment	15,997	18,330	20,565	13.4%	21,168	2.9%
Furniture and fixtures	2,483	2,855	3,184	13.3%	3,337	4.8%
Total	57,358	64,899	72,618	12.5%	74,663	2.8%
Total, net	29,513	26,004	22,135	(13.4%)	20,737	(6.3%)

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G, and reviewed financial statements for the financial period ending 31 March 2022G

Property and equipment decreased from SAR 29.5 million as of 31 December 2019G to SAR 26.0 million as of 31 December 2020G mainly driven by the increase in accumulated depreciation by SAR 7.5 million mainly from machinery and heavy equipment.

Property and equipment decreased to SAR 22.1 million as of 31 December 2021G and to SAR 20.7 million as of 31 March 2022G driven by the increase in accumulated depreciation over the same period.

6.9.8 Statement of cashflows

Table (6.62): Statements of cash flows for the financial years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2021G (reviewed)	31 March 2022G (reviewed)
Profit before zakat and income tax	**37,824**	**58,972**	**66,805**	**33,151**	**15,204**
Adjustments for:					
Depreciation and amortization	16,526	15,053	15,665	3,888	4,029
Impairment loss on financial assets	-	3,047	1,342	-	-
Provision for advance payments to a supplier	5,970	-	-	-	-
Allowance for inventory obsolescence	1,239	2,045	2,644	471	912
Financial costs	686	319	541	121	32
Financial income	(178)	(620)	(529)	(85)	(21)
Employee benefit obligations	6,396	6,204	6,644	1,748	1,433
Paid employee benefits	(2,475)	-	-	-	-
Increase (decrease) in trade and other receivables	(8,709)	105,994	(16,629)	(3,438)	(57,333)
increase in inventories	(1,693)	(3,872)	(4,275)	1,080	(230)
Increase (decrease) in trade and other payables	10,983	(18,958)	6,676	(28,938)	(70,151)
Cash generated from operations	**66,569**	**168,184**	**78,884**	**7,998**	**(106,125)**
Finance costs paid	(703)	(319)	(541)	(121)	(32)
Finance income received	172	608	548	85	21
Zakat and income tax paid	(8,037)	(6,610)	(11,677)	-	-
Employee benefit obligations paid	-	(4,003)	(2,097)	(393)	-
Net cash inflow from operating activities	**58,001**	**157,860**	**65,117**	**7,569**	**(106,136)**
Payments for property and equipment	(5,926)	(4,032)	(3,850)	(2,335)	(647)
Changes in short-term Murabaha deposits	(2,000)	2,000	-	-	-
Payments for intangible assets	-	-	(9)	-	-
Net cash outflow from investing activities	**(7,926)**	**(2,032)**	**(3,859)**	**(2,335)**	**(647)**
Pay off long-term loans	(3,750)	-	-	-	-
Dividends Paid	(42,761)	(23,229)	-	-	-
Principal elements of lease payments	(7,355)	(7,657)	(7,782)	(1,923)	(1,976)
Net cash outflow from financing activities	**(53,866)**	**(30,886)**	**(7,782)**	**(1,923)**	**(1,976)**
Net increase in cash and cash equivalents	**(3,791)**	**124,942**	**53,476**	**3,311**	**(108,759)**
cash and cash equivalents at the beginning of the year	**27,872**	**24,081**	**149,023**	**149,023**	**202,499**
cash and cash equivalents at the end of the year	**24,081**	**149,023**	**202,499**	**152,334**	**93,740**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

Table (6.63): Non cash transactions included the following:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2021G (reviewed)	31 March 2022G (reviewed)
Recognition of right-of-use assets and corresponding lease liabilities	15,012	20,041	-	-	-
Dividends payable under trade and other payables	-	-	30,347	30,347	55,345

Net cash inflow from operating activities

Net cash inflow from operating activities increased by 172.2% from SAR 58.0 million in 2019G to SAR 157.9 million in 2020G driven by the decrease in trade and other receivables.

Net cash inflow from operating activities decreased by 58.8% from SAR 157.9 million in 2020G to SAR 65.1 million in 2021G mainly driven by the increase in zakat and income tax paid, in addition to an increase in inventory.

Net cash inflow from operating activities amounted to SAR 106.1 million in the three-month period ending 31 March 2022G as a result of a decrease in trade and other payables by SAR 70.8 million due to payments of dividends coupled with the increase in trade and other receivables during the period.

Net cash outflow from investing activities

Net cash outflow from investing activities increased from SAR 7.9 million in 2019G to SAR 2.0 million in 2020G and then decreased to SAR 3.9 million in 2021G, mainly driven by property and equipment purchases during the same period.

Net cash outflow from investing activities amounted to SAR 647 thousand in the three-month period ending 31 March 2022G and related to the purchases of property and equipment during the same period.

Net cash outflow from financing activities

Net cash outflow from financing activities decreased from SAR 53.9 million in 2019G to SAR 30.9 million in 2020G, mainly driven by the decrease in dividend payments, coupled with the decrease in long term loan repayments.

Net cash outflow from financing activities decreased to SAR 7.8 million in 2021G due to the non-distribution of profits during the same period.

Net cash outflow from financing activities amounted to SAR 2.0 million in the three-month period ending 31 March 2022G and related to the payment of lease liabilities during the same period.

B- MARAFIQ Water and Power Supply Company "Tawreed"

6.9.9 Income Statement

Table (6.64): Statement of comprehensive income for the fiscal years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Reviewed)	Three-month period ending 31 March 2021G (Reviewed)	31 March 2021G-2022G variance
Revenue	2,607,089	2,595,516	2,577,128	(0.4%)	(0.7%)	(0.6%)	596,473	610,770	2.4%
Cost of revenue	(2,599,168)	(2,587,153)	(2,568,451)	(0.5%)	(0.7%)	(0.6%)	(594,532)	(608,648)	2.4%
Gross profit	**7,921**	**8,363**	**8,677**	**5.6%**	**3.8%**	**4.7%**	**1,941**	**2,122**	**9.3%**
General & Administrative expenses	(7,921)	(8,363)	(8,677)	5.6%	3.8%	4.7%	(1,941)	(2,122)	9.3%
Operating profit	-	-	-	N.A	N.A	N.A	-	-	-

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Re-viewed)	Three-month period ending 31 March 2021G (Re-viewed)	31 March 2021G-2022G variance
Financial costs	(1,762)	(1,635)	(1,503)	(7.2%)	(8.1%)	(7.6%)	(376)	(341)	(9.3%)
Financial income	3,271	1,959	1,615	(40.1%)	(17.6%)	(29.7%)	403	341	(15.4%)
Profit before zakat & income tax	1,509	324	112	(78.5%)	(65.4%)	(72.8%)	27	-	(100.0%)
Zakat and income tax	(238)	(212)	(49)	(10.9%)	(76.9%)	(54.6%)	-	-	-
Zakat and income tax charged back to on-sale parties	238	212	49	(10.9%)	(76.9%)	(54.6%)	-	-	-
Profit for the year	1,509	324	112	(78.5%)	(65.4%)	(72.8%)	27	-	(100.0%)
Total comprehensive income for the year	**1,509**	**324**	**112**	**(78.5%)**	**(65.4%)**	**(72.8%)**	**27**	**-**	**(100.0%)**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and the reviewed financial statements for the financial period ending 31 March 2022G

Table (6.65): Key performance indicators for the financial years ending in 2019G, 2020G, 2021G and the three-month period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Au-dited)	Fiscal year 2020G (Au-dited)	Fiscal year 2021G (Au-dited)	Annual growth 2019G-2020G	Annual growth 2020G-2021G	Compound annual growth rate 2019G-2021G	Three-month period ending 31 March 2021G (Re-viewed)	Three-month period ending 31 March 2021G (Re-viewed)	31 March 2021G-2022G vari-ance
As a percentage of revenue									
Gross profit	0.3%	0.3%	0.3%	0.0	0.0	0.0	0.3%	0.3%	0.0
General and administrative expenses	0.3%	0.3%	0.3%	0.0	0.0	0.0	0.3%	0.3%	0.0
Operating profit	0.0%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Profit before zakat and income tax	0.1%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0
Profit for the year / period	0.1%	0.0%	0.0%	0.0	0.0	0.0	0.0%	0.0%	0.0

Source: Management information.

Revenue

Revenue represents billings to the on-sale Parties as per the on-sale agreement for supply of water and electricity produced by JWAP which include, JWAP costs, cost of fuel and other related costs. Revenue is recognised at a point in time when the Company satisfies the performance obligations as specified in the contract with customers, and when it transfers control over the promised good to the customer.

Revenue decreased by 0.4% from SAR 2,607.1 million in 2019G to SAR 2,595.5 million in 2020G and then decreased by 0.7% to SAR 2,577.1 million in 2021G in line with the decrease in the quantities sold to the Saudi Electricity Company and the Saline Water Conversion Corporation due to lower demand during the same period.

Revenue increased by 2.4% from SAR 596.5 million in the three-month period ending 31 March 2021G to SAR 610.8 million in the three-month period ending 31 March 2022G, in line with the increase in the volumes sold to the Saline Water Conversion Corporation during the same period.

Cost of revenue

Cost of revenue mainly consists of electricity and water costs, fuel and chemicals costs.

Cost of revenue decreased by 0.5% from SAR 2,599.2 million in 2019G to SAR 2,587.2 million in 2020G and then decreased by 0.7% to SAR 2,568.5 million in 2021G, in line with the decrease in revenue during the same period.

Cost of revenue increased by 2.4% from SAR 594.5 million in the three-month period ending 31 March 2021G to SAR 608.6 million in the three-month period ending 31 March 2022G as a result of the increase in the cost of power and water during the same period.

General and administrative expenses

General and administrative expenses mainly consist of employees' related costs and government fees.

General and administrative expenses increased by 5.6% from SAR 7.9 million in 2019G to SAR 8.4 million in 2020G as a result of the increase in staff costs due to the increase in the annual bonus during the same period.

General and administrative expenses increased by 3.8% to SAR 8.7 million in 2021G, due to the increase in government fees by SAR 630 thousand driven by the change in calculating the annual consideration licenses for power and water production licenses during the same period.

General and administrative expenses increased by 9.3% from SAR 1.9 million in the three-month period ending 31 March 2021G to SAR 2.1 million in the three-month period ending 31 March 2022G driven by power and water production license expenses during the same period.

Finance cost

Finance costs relate mainly to interest on the right of use assets.

Finance costs decreased by 7.2% from SAR 1.8 million in 2019G to SAR 1.6 million in 2020G and by 8.1% to SAR 1.5 million in 2021G, due to the decrease in the SIBOR rate during the same period.

Finance income

Finance income mainly relates to interest on lease receivables and term deposits.

Finance income decreased by 40.1% from SAR 3.3 million in 2019G to SAR 2.0 million in 2020G and by 17.6% to SAR 1.6 million in 2021G, due to the decrease in the SIBOR rates in addition to the distribution of the entire balance of the retained earnings of 2020G during 2021G, which reduced the cash available for investment during the same period.

Finance income remained relatively stable in the three-month period ending 31 March 2021G and 31 March 2022G and amounted to about SAR 0.3 million.

6.9.10 Balance Sheet

Table (6.66): Balance Sheets as of 31 December 2019G, 2020G, 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Assets						
Non-current assets						
Non-current portion of lease receivables	39,462	36,069	32,538	(9.2%)	31,619	(2.8%)
Total non-current assets	**39,462**	**36,069**	**32,538**	**(9.2%)**	**31,619**	**(2.8%)**
Current assets						
Current portion of lease receivables	4,836	4,664	4,498	(3.6%)	4,458	(0.9%)
Accounts receivable	96,162	91,200	170,175	33.0%	245,572	44.3%
Accrued revenue and other current assets	227,864	211,293	212,560	(3.4%)	205,512	(3.3%)
Cash and cash equivalents	153,312	155,833	62,141	(36.3%)	52,788	(15.1%)
Total current assets	**482,174**	**462,990**	**449,374**	**(3.5%)**	**508,330**	**13.1%**
Total assets	**521,636**	**499,059**	**481,912**	**(3.9%)**	**539,949**	**12.0%**
Shareholder's Equity and liabilities						
Shareholder's Equity						
Share capital	1,000	1,000	1,000	0.0%	1,000	0.0%
Statutory reserve	500	500	500	0.0%	500	0.0%
Retained earnings	6,888	7,212	436	(74.8%)	436	0.0%
Total Shareholder's Equity	**8,388**	**8,712**	**1,936**	**(52.0%)**	**1,936**	**0.0%**
Non-current portion of lease liability	39,462	36,069	32,538	(9.2%)	31,619	(2.8%)
Total non-current liabilities	39,462	36,069	32,538	(9.2%)	31,619	(2.8%)
Current liabilities						
Current portion of the lease liability	4,836	4,664	4,498	(3.6%)	4,458	(0.90%)
Accounts payable	243,420	239,372	234,521	(1.8%)	299,021	27.5%
Accrued expenses and other current liabilities	225,292	210,057	208,370	(3.8%)	202,866	(2.6%)
Provision for Zakat and tax income	238	185	49	(54.6%)	49	0.0%
Total current Liabilities	**473,786**	**454,278**	**447,438**	**(2.8%)**	**506,394**	**13.2%**
Total Liabilities	**513,248**	**490,347**	**479,976**	**(3.3%)**	**538,013**	**12.1%**
Total Shareholder's Equity and liabilities	**521,636**	**499,059**	**481,912**	**(3.9%)**	**539,949**	**12.0%**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

Non-current assets

Non-current assets decreased by 8.6% from SAR 39.5 million as of 31 December 2019G to SAR 36.1 million as of 31 December 2020G, then decreased by 2.8% to SAR 32.5 million as of 31 December 2021G and SAR 31.6 million as of 31 March 2022G. This is due to the decrease in the non-current portion of the lease receivables as a result of payments made by the company to the Royal Commission for Jubail and Yanbu during the same period.

Current assets

Current assets decreased by 4.0% from SAR 482.2 million as of 31 December 2019G to SAR 463.0 million as of 31 December 2020G, due to a decrease in receivables by SAR 5.0 million in addition to the decrease in accrued revenue and other current assets by SAR 16.6 million driven by the decrease in the revenue due from the Saudi Electricity Company during the same period.

Current assets decreased by 2.9% from SAR 463.0 million as of 31 December 2020G to SAR 449.4 million as of 31 December 2021G driven by the decrease in cash and cash equivalents by SAR 93.7 million in line with the decrease in cash generated from operating activities. This was offset by the increase in receivables by SAR 79.0 million as a result of the change in payment terms with the Saudi Electricity Company during the same period.

Current assets increased by 13.1% from SAR 449.4 million as of 31 December 2021G to SAR 508.3 million as of 31 March 2022G mainly driven by the increase in trade receivables by SAR 75.4 million as a result of delay in collections of invoices related to February and April 2022G.

Shareholder's equity

Shareholder's equity increased by 3.9% from SAR 8.4 million as of 31 December 2019G to SAR 8.7 million as of 31 December 2020G, mainly driven by the increase in retained earnings in line with the total comprehensive income during the same period.

Shareholder's equity decreased by 77.8% from SAR 8.7 million as of 31 December 2020G and remained stable to reach SAR 1.9 million as of 31 December 2021G as a result of a decrease in retained earnings by SAR 6.8 million due to dividends distribution amounting to SAR 6.9 million during the same period.

Non-current liabilities

Non-current liabilities decreased by 8.6% from SAR 39.5 million as of 31 December 2019G to SAR 36.1 million as of 31 December 2020G, then decreased by 9.8% to SAR 32.5 million as of 31 December 2021G, due to the decrease in the non-current portion of lease liabilities as a result of payments made by the company to the Royal Commission for Jubail and Yanbu during the same period.

Non-current liabilities decreased by 2.8% from SAR 32.5 million as of 31 December 2021G to SAR 31.6 million as of 31 March 2022G driven by the increase in the non-current portion of lease liabilities during the same period.

Current liabilities

Current liabilities decreased by 4.1% from SAR 473.8 million as of 31 December 2019G to SAR 454.3 million as of 31 December 2020G, driven by a decrease in accrued expenses and other current liabilities by SAR 15.2 million due to a decrease in Aramco balance for gas consumption as a result of settlements, in addition to a decrease in accounts payable by SAR 4.0 million to Aramco for gas consumption as a result of settlements paid during the same period.

Current liabilities decreased by 1.5% from SAR 454.3 million as of 31 December 2020G to SAR 447.4 million as of 31 December 2021G due to a decrease in accounts payable by SAR 4.9 million to Aramco for gas consumption as a result of settlements paid during the same period, in addition to a decrease in accrued expenses and other current liabilities by SAR 1.7 million due to a decrease in Aramco balance for gas consumption as a result of settlements.

Current liabilities increased by 13.2% from SAR 447.4 million as of 31 December 2021G to SAR 506.4 million as of 31 March 2022G driven by the increase in trade payable by SAR 64.5 million as a result of the increase in dues to Aramco during the same period.

6.9.11 Cash flow statements

Table (6.67): Statements of cash flows for the financial years ending 31 December 2019G, 2020G, and 2021G, and the three-month period ending 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2021G (Reviewed)	31 March 2022G (Reviewed)
Profit for the year	**1,509**	**324**	**112**	**27**	**-**
Adjustments for:					
Financial Income	(3,271)	(1,959)	(1,615)	(403)	(341)
Financial costs	1,762	1,635	1,503	376	341
Zakat and Income Tax Charged	238	212	49	-	-
Changes in:					
Accounts Receivable	9,119	4,962	(78,975)	(47,768)	(75,397)
Accrued revenue and other current assets	(10,182)	16,559	(1,267)	(205)	7,048
Accounts payable	(46,283)	(4,048)	(4,851)	57,840	64,500
Accrued expenses and other current liabilities	10,970	(15,235)	(1,687)	499	(5,504)
Zakat and income tax paid	(1,623)	(265)	(185)	-	-
Net cash from / (used in) operating activities	**(37,761)**	**2,185**	**(86,916)**	**10,366**	**(9,353)**
Finance income received	1,542	336	112	27	-
Cash flow from investment activities	**1,542**	**336**	**112**	**-**	**-**
Dividends Paid	-	-	(6,888)	-	-
Net cash used in financing activities	-	-	(6,888)	-	-
Net change in cash and cash equivalents	**(36,219)**	**2,521**	**(93,692)**	**10,393**	**(9,353)**
Cash and cash equivalents at the beginning of the year	**189,531**	**153,312**	**155,833**	**155,833**	**62,141**
Cash and cash equivalents at the end of the year	**153,312**	**155,833**	**62,141**	**166,226**	**52,788**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

Net cash from / (used in) operating activities

Net cash from / (used in) operating activities increased from an outflow amounting to SAR 37.8 million in 2019G to cash inflow amounting to SAR 2.2 million in 2020G driven by the decrease in (1) accrued revenue and other current assets and (2) the decrease in accounts payable, and (3) the decrease in net profit for the year during the same period.

Net cash from operating activities decreased to a cash outflow amounting to SAR 86.9 million driven by the increase in trade receivable from Saudi Electricity Company and the Saline Water Conversion Corporation, in addition to an increase in accrued revenue and other current assets.

Net cash used in operating activities amounted to SAR 9.4 million in the three-month period ending 31 March 2022G, as a result of a decrease in accounts payable during the period.

Net cash from investing activities

Net cash from investing activities decreased from SAR 1.5 million in 2019G to SAR 336 thousand in 2020G and then decreased to SAR 112 thousand in 2021G, driven by a decrease in finance income during the same period.

Net cash used in financing activities

Net cash used in financing activities amounted to SAR 6.9 million in 2021G based on the Board of Directors' decision to distribute dividends amounting to SAR 6.9 million, which was approved by the shareholders at their meeting held in April 2021G.

6.9.12 Results of operations for the financial years ending 31 December 2019G, 2020G and 2021G for Jubail Water and Power Company ("JWAP")

A- Income Statement

Table (6.68): Statement of Comprehensive Income for the Fiscal Years Ending 31 December 2019G, 2020G, 2021G and the three months period ending 31 March 2021G and 2022G:

In SAR thousands	Fiscal year 2019G (Audited)	Fiscal year 2020G (Audited)	Fiscal year 2021G (Audited)	Annual growth 2019G -2020G	Annual growth 2020G -2021G	Compound annual growth rate 2019G-2021G	31 March 2021G (Reviewed)	31 March 2022G (Reviewed)	31 March 2021G-2022G variance
Revenue	1,141,040	1,130,098	1,102,637	(1.0%)	(2.4%)	(1.7%)	261,077	276,625	6.0%
Operating costs	(409,488)	(447,585)	(496,658)	9.3%	11.0%	10.1%	(116,020)	(123,120)	6.1%
Gross profit	**731,552**	**682,513**	**605,979**	**(6.7%)**	**(11.2%)**	**(9.0%)**	**145,057**	**153,505**	**5.8%**
General and Administrative expenses	(18,564)	(17,863)	(15,496)	(3.8%)	(13.3%)	(8.6%)	(2,608)	(2,953)	13.2%
Operating income	712,988	664,650	590,483	(6.8%)	(11.2%)	(9.0%)	142,449	150,552	5.7%
Financial charges	(435,750)	(301,797)	(240,227)	(30.7%)	(20.4%)	(25.8%)	(62,460)	(57,587)	(7.8%)
Interest income	4,183	1,856	678	(55.6%)	(63.5%)	(59.7%)	412	382	(7.3%)
Profit before Zakat and income tax	281,421	364,709	350,934	29.6%	(3.8%)	11.7%	80,401	93,347	16.1%
Zakat and tax	(28,398)	(27,008)	(25,573)	(4.9%)	(5.3%)	(5.1%)	(6,901)	(7,307)	5.9%
Profit for the year	253,023	337,701	325,361	33.5%	(3.7%)	13.4%	73,500	86,040	17.1%
Items of other comprehensive income that will not be reclassified to the income statement in subsequent periods:									
Remeasurement of defined benefit liability	**393**	**(598)**	**(105)**	**(252.2%)**	**(82.4%)**	**N.A**	**(80)**	**100**	**(225.0%)**
Items of other comprehensive income that will be reclassified to the income statement in subsequent periods:									
Net change in fair value of cash flow hedge reserve	**(117,095)**	**(209,658)**	**283,961**	**79.0%**	**(235.4%)**	**N.A**	**221,286**	**283,692**	**28.2%**
Deferred tax in relation to cash flow hedge reserves	**6,508**	**11,652**	**(15,981)**	**79.0%**	**(237.2%)**	**N.A**	**(12,541)**	**(15,571)**	**24.2%**
Total comprehensive income	**142,829**	**139,097**	**593,236**	**(2.6%)**	**326.5%**	**103.8%**	**282,165**	**354,261**	**25.6%**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

It is worth noting that the Group consolidates the results of operations and financial position of the Joint operating agreement, JWAP, based on the percentage of ownership in JWAP (30%). Therefore, the consolidated results of JWAP within the consolidated financial statements of the Group represent 30% of the financial statements of JWAP.

Revenue

Revenue represents the capital capacity payments (capacity rates) which are accounted for as a finance lease payment. The capacity payments over the life of the Power and Water Purchase Agreement ("PWPA") are split and accounted for as income or as a notional repayment of principal. Revenue is recognised at a point in time when the Company satisfies the performance obligations as specified in the contract with customers, and when it transfers control over the promised good to the customer.

Revenue decreased by 1.0% from SAR 1,141.0 million in 2019G to SAR 1,130.1 million in 2020G and then decreased by 2.4% to SAR 1,102.6 million in 2021G in line with the decrease in the volumes sold to the Saudi Electricity Company and the Saline Water Conversion Corporation driven by lower demand during the same period.

Revenue increased by 6.0% from SAR 261.1 million in the three-month period ending 31 March 2021G to SAR 276.6 million in the three-month period ending 31 March 2022G in line with the increase in quantities sold to Water Conversion Corporation due to the high demand during the same period.

Operating Costs

Operating costs mainly comprised of operation and maintenance cost, insurance expenses, amortization of deferred costs, depreciation on right-of-use asset among other expenses.

Operating costs increased by 9.3% from SAR 409.5 million in 2019G to SAR 447.6 million in 2020G driven by the increase in operating and maintenance expenses by SAR 17.3 million and then increased by 11.0% to reach SAR 496.7 million in 2021G driven by the increase in operation and maintenance expenses by SAR 36.3 million due to contractual price adjustments related to indexation during the same period.

Operating costs increased by 6.1% from SAR 116.0 million in the three-month period ending 31 March 2021G to SAR 123.1 million in the three-month period ending 31 March 2022G driven by the increase in operating and maintenance cost during the same period.

General and administrative expenses

General and administrative expenses mainly comprise of employees related cost, directors' remuneration and expenses and consultancy charges.

General and administrative expenses decreased by 3.8% from SAR 18.6 million in 2019G to SAR 17.9 million in 2020G driven by the decrease in board members' bonuses in line with the decline in the company's financial performance during the same period.

General and administrative expenses decreased by 13.3% to SAR 15.5 million in 2021G, due to the decrease in consulting expenses caused by the initiative to reduce costs in response to the impact of the COVID-19 pandemic.

General and administrative expenses increased by 13.2% from SAR 2.6 million in the three-month period ending 31 March 2021G to SAR 2.9 million in the three-month period ending 31 March 2022G in line with the average general and administrative expenses pre-COVID-19 levels.

Finance charges

Finance charges relate mainly to interest on right of use assets and interest on loans and borrowings.

Finance charges decreased by 30.7% from SAR 435.8 million in 2019G to SAR 301.8 million in 2020G and then by 20.4% to SAR 240.2 million in 2021G, due to the decrease in the SIBOR rate during the same period.

Finance costs decreased by 7.8% from SAR 62.5 million in the three-month period ending 31 March 2021G to SAR 57.6 million in the three-month period ending 31 March 2022G due to the decrease in the loans balance during the same period.

Interest income

Interest income mainly relates to interest on short-term deposits. Interest income amounted to SAR 4.2 million, SAR 1.9 million and SAR 0.68 million in 2019G, 2020G and 2021G, respectively.

Interest income remained relatively stable in the three-month period ending 31 March 2021G and 31 March 2022G and amounted to approximately SAR 0.4 million.

6.9.13 Balance Sheet Statement

Table (6.69): Balance sheets as of 31 December 2019G, 2020G, and 2021G, and as of 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Assets						
Non-current assets						
Property and equipment	59,074	80,487	83,967	19.2%	84,830	1.0%
Intangible assets	477	519	405	(7.9%)	357	(11.9%)
Right of use assets	49,063	44,353	39,643	(10.1%)	38,466	(3.0%)
Non-current portion of net investments in finance lease	7,940,633	7,405,985	6,821,608	(7.3%)	6,670,711	(9.9%)
Deferred tax assets	20,300	31,991	16,013	(11.2%)	433	(97.3%)
Deferred costs	79,664	63,417	47,169	(23.1%)	45,834	(2.8%)
Non-current assets	**8,149,211**	**7,626,752**	**7,008,805**	**(7.3%)**	**6,840,631**	**(2.4%)**
Current assets						
Non-current portion of net investments in finance lease	7,940,633	7,405,985	6,821,608	(7.3%)	6,670,711	(2.2%)
	555	555	555	0.0%	555	0.0%
Accounts receivable, prepayments and other receivables	11,846	13,750	14,912	12.2%	6,545	(56.1%)
Due from related parties		8,090	114	0.0%	134	17.5%
Trade receivables	289,986	295,162	293,140	2.1%	287,767	(1.8%)
Short term bank deposit	120,000	131,000	24,000	(55.3%)	-	N.A
Cash and cash equivalents	14,944	2,938	106,548	167.0%	198,802	86.6%
Total current assets	**937,381**	**986,144**	**1,023,646**	**4.5%**	**1,092,250**	**6.7%**
Total assets	**9,086,592**	**8,612,896**	**8,032,451**	**(6.0%)**	**7,932,880**	**(1.2%)**
Equity and Liabilities						
Equity						
Share Capital	882,500	882,500	882,500	0.0%	882,500	N.A
Statutory reserve	107,007	140,777	173,313	27.3%	181,917	5.0%
Retained Earnings	1,247,224	1,273,634	1,229,114	(0.7%)	1,306,651	6.3%
Cash flow hedge reserve	**(342,482)**	**(540,488)**	**(272,508)**	**(10.8%)**	**(4,388)**	**(98.4%)**
	1,894,249	**1,756,423**	**2,012,419**	**3.1%**	**2,366,680**	**17.6%**
Non-current liabilities						
Long-term financing	6,060,448	5,516,300	4,929,818	(9.8%)	4,617,964	(6.3%)
Employee benefits	2,611	3,308	3,407	14.2%	3,253	(4.5%)
Deferred tax liability	4,103	3,405	2,636	(19.8%)	2,468	(6.4%)
Lease liability - non-current	44,180	40,185	36,146	(9.5%)	36,513	1.0%
Fair value of derivatives	211,707	442,407	166,722	(11.3%)	-	N.A
Total non-current liabilities	**6,323,049**	**6,005,605**	**5,138,729**	**(9.9%)**	**4,660,198**	**(9.3%)**

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Reviewed)	31 December 2021G- 31 March 2022G variance
Current liabilities						
Current portion of long-term financing	510,019	544,148	586,482	7.2%	610,526	4.1%
Short term loans	-	-	-	N.A	170,000	N.A
Trade payables	63,010	41,981	41,225	(19.1%)	42,975	4.2%
The current portion of the lease obligations	3,737	3,919	4,039	4.0%	4,009	(0.7%)
Due to related parties	1,283	481	4,493	87.1%	-	N.A
Accrued expenses and other current liabilities	120,416	115,034	107,300	(5.6%)	55,463	(48.3%)
Zakat and taxation	(48.3%)	15,418	16,152	(9.9%)	18,386	13.8%
Derivative Financial Instruments	150,929	129,888	121,612	(10.2%)	4,642	(96.2%)
Total current Liabilities	**869,294**	**850,868**	**881,303**	**0.7%**	**906,001**	**2.8%**
Total Liabilities	**7,192,343**	**6,856,474**	**6,020,032**	**(8.5%)**	**5,566,199**	**(7.5%)**
Total Equity and liabilities	**9,086,592**	**8,612,897**	**8,032,451**	**(6.0%)**	**7,932,880**	**(1.2%)**

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

It is worth noting that the Group consolidates the results of operations and financial position of the Joint operating agreement, JWAP, based on the percentage of ownership in JWAP (30%). Therefore, the consolidated results of JWAP within the consolidated financial statements of the Group represent 30% of the financial statements of JWAP.

Non-current assets

Non-current assets decreased by 6.4% from SAR 8,149.2 million as of 31 December 2019G to SAR 7,626.8 million as of 31 December 2020G, then decreased by 8.1% to SAR 7,008.8 million as of 31 December 2021G. This is due to a decrease in finance lease receivables coupled with the decrease in the right of use assets as a result of repayments of operating lease coupled with the annual depreciation expenses during the same period.

Non-current assets decreased by 2.4% from SAR 7,008.8 million as of 31 December 2021G to SAR 6,840.6 million as of 31 March 2022G, mainly due to the decrease in lease receivables amounting to SAR 150.8 million as a result of settlements, in addition to the decrease in deferred tax assets amounting to SAR 15.6 million.

Current assets

Current assets increased by 5.2% from SAR 937.4 million as of 31 December 2019G to SAR 986.1 million as of 31 December 2020G driven by the increase in trade receivables by SAR 14.1 million as a result of the increase in number of invoices from Tawreed during the same period.

Current assets increased by 3.8% from SAR 986.1 million as of 31 December 2020G to SAR 1,023.6 million as of 31 December 2021G driven by the increase in cash and cash equivalents by SAR 103.6 million as a result of the maturity of a short-term deposit.

Current assets increased by 6.7% from SAR 1,023.6 million as of 31 December 2021G to SAR 1,092.3 million as of 31 March 2022G driven by the increase in cash and cash equivalents by SAR 92.3 million as a result of net cash generated from investing activities amounting to SAR 159.3 million in addition to net cash generated from operating activities amounting to SAR 53.5 million, which were offset by the net cash used from financing activities amounting to SAR 120.6 million, in addition to the increase in short term lease liabilities by SAR 14.1 million.

Equity

Equity decreased by 7.3% from SAR 1,894.2 million as of 31 December 2019G to SAR 1,756.4 million as of 31 December 2020G as a result of an increase in losses from the fair value reserve to hedge against cash flows of joint operations, and then increased by 14.6% to SAR 2,012.4 million as of 31 December 2021G, due to a decrease in losses from the fair value reserve to hedge against cash flows of joint operations during the same period.

Equity increased by 17.6% from SAR 2,012.4 million as of 31 December 2021G to SAR 2,366.7 million as of 31 March 2022G driven by the increase in the fair value reserve to hedge against cash flows of joint operations from losses amounting to SAR 272.5 million to profit amounting to SAR 4.4 million caused by the change in the fair value of the hedging instruments resulting from the increase in interest rates.

Non-current liabilities

Non-current liabilities decreased by 5.0% from SAR 6,323.0 million as of 31 December 2019G to SAR 6,005.6 million as of 31 December 2020G then decreased by 14.4% to SAR 5,138.7 million as of 31 December 2021G, then by 9.3% to SAR 4,660.2 million as of 31 March 2022G, driven by the decrease in loans and borrowings as a result of repayments during the same period, coupled with the decrease in the value of derivative financial instruments from SAR 166.7 million as of 31 December 2021G to nil as of 31 March 2022G caused by the change in the fair value for hedging instruments resulting from an increase in interest rates.

Current liabilities

Current liabilities decreased by 2.1% from SAR 869.3 million as of 31 December 2019G to SAR 850.9 million as of 31 December 2020G driven by the decrease in payable balances to the operation and maintenance contractor coupled with the decrease in derivative financial instruments as a result of a change in the fair value.

Current liabilities increased by 3.6% from SAR 850.9 million as of 31 December 2020G to SAR 881.3 million as of 31 December 2021G driven by the increase in the short-term portion of loans and borrowings as a result of the increase in balance withdrawn during the same period.

Current liabilities increased by 2.8% from SAR 881.3 million as of 31 December 2021G to SAR 906.0 million as of 31 March 2022G driven by a new short-term loan amounting to SAR 170 million to finance the Company's working capital. This increase was offset by the decrease in accrued expenses and other liabilities amounting to SAR 51.8 million, and in derivative financial instruments amounting to SAR 117.0 million due to the change in the fair value of hedging instruments resulting from an increase in interest rates.

Table (6.70): Property, plant and equipment as of 31 December 2019G, 2020G and 2021G and as of 31 March 2022G

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	Compound annual growth rate 2019G-2021G	31 March 2022G (Management information)	31 December 2021G- 31 March 2022G variance
Cost						
Buildings	6,950	6,950	6,950	0.0%	6,950	0.0%
Equipment	21,453	21,453	23,234	4.1%	23,234	0.0%
Vehicles	243	243	243	0.0%	243	0.0%
Capital work-in-progress	34,519	58,242	62,267	34.3%	64,385	3.4%
Total	63,165	86,888	92,694	21.1%	94,812	2.3%
Accumulated depreciation						
Buildings	893	1,453	2,013	50.1%	2,293	13.9%
Equipment	3,093	4,794	6,511	45.1%	7,462	14.6%
Vehicles	105	154	203	38.7%	227	11.8%
Total	4,091	6,401	8,727	46.1%	9,982	14.4%
Total, net	59,074	80,487	83,967	19.2%	84,830	1.0%
Total, net	59,074	80,487	83,967	19.2%	84,830	1.0%

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and management information

Property, plant and equipment increased from SAR 59.1 million as of 31 December 2019G to SAR 80.5 million as of 31 December 2020G driven by additions to capital work-in-progress by SAR 23.7 million, offset by a slight increase in accumulated depreciation during the same period.

Property, plant and equipment increased to SAR 84.0 million as of 31 December 2021G and to SAR 84.8 million as of 31 March 2022G driven by additions to capital-work-in progress.

6.9.14 Cash Flow Statement

Table (6.71): Statements of cash flows for the financial years ending 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2022G:

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2021G (Reviewed)	31 March 2022G (Reviewed)
Profit before zakat and income tax	**281,421**	**364,708**	**350,934**	**80,402**	**93,348**
Adjustments for:					
Depreciation of machinery and equipment	1,785	2,310	2,326	385	628
Depreciation of right-to-use assets	4,710	4,710	4,710	1,178	1,178
Amortization of intangible assets	108	108	115	18	48
Amortization of deferred costs	16,248	16,248	16,248	4,062	1,335
Provision for employee benefits	527	420	442	112	109
Finance charges	435,750	301,797	240,227	62,460	57,587
Changes in operating assets and liabilities:					
Accounts receivable, prepayment and other receivables	(22,994)	-	-	-	-
Accounts payable, accruals and other liabilities	1,644	-	-	-	-
Prepayments and other receivables	-	(2,113)	(1,161)	7,598	8,366
Accounts receivable	-	(14,066)	2,022	18,093	5,373
Due from related parties	-	1,008	7,975	4	(20)
Due to related parties	-	481	4,012	(481)	(4,493)
	(4,493)	3,342	(756)	36,414	1,750
Accounts payable	-	3,342	(756)	36,414	1,750
Accrued expenses and other current liabilities	-	(24,391)	(2,816)	(34,889)	998
Interest paid	(428,668)	(295,931)	(232,740)	(117,093)	(107,302)
Financing charges paid rental	-	(1,387)	(1,281)	-	-
Zakat and income tax paid	(24,482)	(32,227)	(25,612)	-	(5,232)
Employee benefits paid	-	(321)	(449)	-	(163)
Net cash from operating activities	266,049	324,696	364,196	58,263	53,510
Purchase of property and equipment	(39,497)	(23,723)	(5,806)	(838)	(1,491)
Purchase of intangible assets	(100)	(150)	-	-	-
Proceeds from short term bank deposits	788,000	818,000	1,018,000	131,000	24,000
Placement of short-term bank deposits	(731,000)	(829,000)	(911,000)	-	-
Principal amount received on the net investment in a finance lease	457,739	500,050	534,649	125,128	136,827
Net cash from investing activities	475,142	465,177	635,843	255,290	159,336
Dividends Paid	(228,118)	(276,922)	(337,239)	-	-

In SAR thousands	31 December 2019G (Audited)	31 December 2020G (Audited)	31 December 2021G (Audited)	31 March 2021G (Reviewed)	31 March 2022G (Reviewed)
Utilization of working capital facility	340,000	340,000	340,000	170,000	170,000
Repayment of working capital facility	(340,000)	(340,000)	(340,000)	-	-
Repayment of shareholder's loans	(18,400)	-	-	-	-
Repayment of long-term financing	(481,341)	(521,143)	(555,272)	(271,689)	(290,592)
Pay the principal amount on the net investment in a finance lease	(5,200)	(3,813)	(3,919)	-	-
Net cash used in financing activities	(733,059)	(801,878)	(896,430)	(101,689)	(120,592)
Net (Decrease)/ increase in cash and cash equivalents	8,132	(12,005)	103,609	211,864	92,254
Cash and cash equivalents at the beginning of the year	6,812	14,944	2,938	2,938	106,548
Cash and cash equivalents at the end of the year	14,944	2,938	106,548	214,803	198,802

Source: Audited financial statements for the financial year ending 31 December 2019G, 2020G, and 2021G and reviewed financial statements for the financial period ending 31 March 2022G

Net cash from / (used in) operating activities

Net cash from / (used in) operating activities increased from an inflow amounting to SAR 266.0 million in 2019G to SAR 324.7 million in 2020G driven by the increase in net profit before zakat and income tax by SAR 83.3 million, offset by the decrease in trade receivable, prepayments and other receivables during the same period.

Net cash from / (used in) operating activities increased an inflow amounting to SAR 324.7 million in 2020G to SAR 364.2 million in 2021G driven by collections of accounts receivable and the decrease in prepayments made during the same period.

Net cash from / (used in) operating activities decreased from an inflow amounting to SAR 58.3 million in the three-month period ending 31 March 2021G to SAR 53.5 million in the three-month period ending 31 March 2022G as a result of a decrease in trade receivables and increase in trade payables.

Net cash from investing activities

Net cash from investing activities decreased from SAR 475.1 million in 2019G to SAR 465.2 million in 2020G driven by the decrease in placement of short-term bank deposits by SAR 98.0 million, offset by an increase in purchases of property, plant and equipment by SAR 15.8 million and an increase in returns from short-term investments amounting to SAR 30.0 million.

Net cash from investing activities increased from SAR 465.2 million in 2020G to SAR 635.8 million in 2021G due to an increase in purchases of property, plant and equipment by SAR 17.9 million and an increase in returns from short-term investments of SAR 200.0 million.

Net cash from investing activities decreased from SAR 255.3 million in the three-month period ending 31 March 2021G to SAR 159.3 million in the three-month period ending 31 March 2022G driven by the decrease in cash inflows from short term investments by SAR 107.0 million.

Net cash used in financing activities

Net cash used in financing activities increased from SAR 733.1 million in 2019G to SAR 802.9 million in 2020G to reach SAR 896.4 million in 2021G due to the increase in the value of loan repayments and dividends during the same period.

Net cash used in financing activities increased from SAR 101.7 million in the three-month period ending 31 March 2021G to SAR 120.6 million in the three-month period ending 31 March 2022G driven by the increase in loan repayments during the period.

7. Dividend Distribution Policy

Pursuant to Article 110 of the Companies Law, each shareholder acquires all the rights attached to the Company's shares, including the right to receive a portion of the net dividends declared. The declaration and payment of any dividends will be recommended by the Board prior to the approval by the shareholders at the General Assembly meeting. However, there are no guarantees as to the actual distribution of dividends or the amounts of dividends that will be paid in any year. Any dividends declared will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions and the Company's Zakat position, as well as other legal and regulatory considerations.

After deducting all expenses, the Company's profits shall be allocated as follows:

1- Four percent (4%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by a resolution of the Ordinary General Assembly when the statutory reserve reaches twenty percent (20%) of the Company's paid up share capital.
2- The General Assembly may, based on a proposal of the Board of Directors, set aside a percentage of the net profits to form an additional reserve to be allocated to one or more specific purposes.
3- From the rest, an initial payment equal to at least five percent (5%) of the paid-up share Capital shall be distributed to shareholders, unless the Ordinary General Assembly decides otherwise. The Ordinary General Assembly may decide to distribute other dividends upon the recommendation of the Board of Directors and as it deems appropriate.
4- Subject to the provisions of Article 22 of the Bylaws, the Ordinary General Assembly may approve granting each Director, in return for their membership, a share in the Company's profits of no more than 10% of the remaining net profits, after deducting reserves and distributing no less than 5% of the paid-up share capital as an initial payment of profits to shareholders, provided that the entitlement to this bonus is proportional to the number of meetings attended by the member, in accordance with the rules established by the competent authority.
5- The Company is entitled to distribute quarterly and semi-annual profits in accordance with the requirements of the relevant laws.

The remainder is then distributed to shareholders as an additional share of profits or carried over to the coming years as approved by the General Assembly.

Following is a summary of the dividends declared and distributed by the Company since the beginning of 2019G:

Table (7.1): Dividends Declared and Distributed for the Financial Years ended 31 December 2019G, 2020G, 2021G and the three-month period ending 31 March 2022G

SAR'000s	31 December 2019G	31 December 2020G	31 December 2021G	31 March 2022G
Dividends declared during the period	125,000	125,000	175,000	-
Dividends distributed during the period *	110,087	117,331	140,605	-
Net income for the distribution period	213,043	290,468	664,654	142,948
Ratio of dividends declared to net income for the distribution period	52%	40%	21%	-

* Paid after deduction of respective share of Zakat of each shareholder

Source: The audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and the audited financial statements for the period ended 31 March 2022G.

Cash dividends of two hundred and seventy-five million Saudi Riyals (SAR 275,000,000), after deducting the amount of Zakat and tax, were declared for the first half of 2022G, which is distributable to the Company's current Shareholders registered in the shareholder registry at the end of the maturity date in proportion to their ownership in the Company. The declared maturity date for the dividends is on Tuesday 17/02/1444H (corresponding to 13/09/2022G) and the dividend distribution date is on Thursday 03/03/1444H (corresponding to 29/09/2022G). The Company's General Assembly approved the abovementioned distribution on 17/02/1444H (corresponding to 13/09/2022G). As at the date of this Prospectus, members of the Company's Board of Directors acknowledge that there are no declared nor pending profits for any periods except as described above.

8. Use of Offering Proceeds

The total proceeds of the Offering are estimated at SAR ([•]), of which approximately SAR ([•]) will be used to settle all expenses related to the Offering, which include the fees of the Financial Advisors, Retail Subscription and Settlement Coordinator, Bookrunners, Underwriters, Legal Advisor, Financial Due Diligence Advisor, Market Research Consultant, Chartered Accountant, other consultants and Receiving Agents, as well as marketing, printing, and distribution fees and other fees and expenses related to the Offering. The Net Proceeds of approximately SAR ([•]) will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares sold by them in the Offering. The Company will not receive any part of the Offering proceeds. The Selling Shareholders will bear all fees, expenses and costs related to the Offering.

9. Capitalization and Indebtedness of the Company

Prior to the Offering, the Current Shareholders own the entire share capital of the Company. Upon completion of the Offering, the Current Shareholders will own 70.76% of the shares in the Company.

The table below sets out the capitalization of the Company as derived from the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G, and should be read and interpreted in conjunction with the relevant financial statements set out in Section 19 ("**Financial Statements and Auditor's Report**").

Table (9.1): Capitalization and Indebtedness of the Company

SAR'000s	31 December 2019G	31 December 2020G	31 December 2021G	Three-Month Period Ended 31 March 2022G
Current portion of bank loans and advances	275,688	456,657	361,066	370,431
Non-current portion of bank loans and advances	9,278,671	8,976,169	8,617,965	8,527,896
Total bank loans and advances	9,554,359	9,432,826	8,979,031	8,898,328
Current portion of lease liabilities	365,258	721,248	367,330	335,089
Non-current portion of lease liabilities	2,955,765	3,111,884	2,865,048	2,897,020
Total lease liabilities	3,321,023	3,833,132	3,232,378	3,232,109
Total bank loans, advances and lease liabilities	12,875,382	13,265,958	12,211,409	12,130,437
Shareholders' Equity				
Capital	2,500,000	2,500,000	2,500,000	2,500,000
Statutory reserve	249,366	261,010	287,960	287,960
Retained earnings	4,190,765	4,334,889	4,834,430	4,977,378
Total shareholders' equity	6,878,354	6,987,386	7,551,086	7,795,088
Total capitalization (total bank loans, advances and lease liabilities + total shareholders' equity)	19,753,736	20,253,344	19,762,495	19,925,525
Total loans/total capitalization	65.2%	65.5%	61.8%	60.9%

Source: The audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and the audited financial statements for the three-month period ended 31 March 2022G.

The Directors declare that:

a- None of the Company's shares are under option.

b- The Company does not have any debt instruments as at the date of this Prospectus.

c- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus.

10. Expert Statements

All of the Advisors and the Auditor, whose names are listed on pages (vii) to (ix) of this Prospectus, have given and, as at the date of this Prospectus, have not withdrawn their written consent to the publication of the names, addresses, logos and statements attributed to each of them in this Prospectus, and do not, themselves, their advisors nor their employees who form part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company or its Subsidiaries as at the date of this Prospectus which would impair their independence.

11. Declarations

As at the date of this Prospectus, the Directors declare that:

1- There has not been any interruption in the business of the Company or any of the Subsidiaries which may have or has had a significant effect on the financial position in the last 12 months.

2- No commissions, discounts, brokerages or other non-cash compensation have been granted within the three years immediately preceding the application for registration and offer of securities that are the subject of this Prospectus in connection with the issuance or offer of any securities by the Company or any of the Subsidiaries.

3- Other than what has been mentioned in Section 2 ("**Risk Factors**") of this Prospectus, there has not been any material adverse change in the financial or trading position of the Company or any of its Subsidiaries in the three financial years immediately preceding the application for registration and offer of securities that are the subject of this Prospectus and the period covered in the Auditor's report up to and including the date of approval of the Prospectus.

4- Other than as stated on page 192 of this Prospectus, none of the Directors or their relatives have any shareholding or interest of any kind in the Company or any of its Subsidiaries.

5- The Company - individually or jointly with its Subsidiaries – has working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus.

6- None of the Directors, proposed directors, Senior Executives or the Board Secretary have ever been declared bankrupt or subject to bankruptcy proceedings.

7- No insolvency has been declared during the previous five years for a company in which any of the Directors, proposed directors, Senior Executives or the Board Secretary were appointed to an administrative or supervisory position.

8- Except as described in Section 5.6.1 ("**Interests of Directors, Senior Executives and the Secretary in contracts and agreements entered into by the Company and its Subsidiaries**"), none of the Directors, Senior Executives, the Board Secretary or any of their relatives or affiliates have any interest in any existing written or oral contract or arrangement or contracts under consideration or to be concluded by the Company or its Subsidiaries up to the date of this Prospectus, and none of the members of the Board of Directors have any conflicts of interest regarding contracts or transactions concluded with the Company.

9- Except as stated in this Prospectus, there is no intention to materially change the nature of the business of the Company or its Subsidiaries.

10- The Directors will not participate in voting on decisions related to business and contracts in which they have a direct or indirect interest.

11- As at the date of this Prospectus, there are no employee share programs entitling employees to participate in the Company's share capital, nor are there any other similar arrangements in place.

12- The Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect its financial position.

13- Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a material impact (directly or indirectly) on its business and the business of its Subsidiaries.

14- Except as disclosed in Section 2 ("**Risk Factors**"), the Company is not aware of any seasonal factors or economic cycles related to the business that may have an effect on the Company's businesses or its financial position.

15- The statistical information included in Section 3 ("**Market and Industry Data**") which was obtained from external sources represents the latest information available from the relevant source.

16- Except as disclosed in Section 2 ("**Risk Factors**"), the insurance policies of the Company and its Subsidiaries sufficiently cover the Company's performance of its business. The Company and its Subsidiaries periodically renew their insurance policies and contracts in order to ensure continued insurance coverage.

17- The Board of Directors has included all the information required to be included in this Prospectus pursuant to the OSCOs, and there are no other facts that could affect the application for the registration and offering of securities which have not been included in this Prospectus.

18- All contracts and agreements that the Company believes to be significant or material or which may affect investors' decisions to invest in the Offer Shares have been disclosed. There are no other material agreements that have not been disclosed.

19- All terms and conditions that may affect investors' decisions to invest in the Offer Shares have been disclosed.

20- They have developed procedures, rules and systems to enable the Company to meet the requirements of the relevant laws, regulations and instructions, including the Companies Law, the Capital Market Law and its implementing regulations, the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

21- All of the Company's non-Saudi staff are under its sponsorship.

22- As at the date of this Prospectus, the shareholders referred to in Section 4.17.1 ("**Ownership Structure**"), are the legal and beneficial owners of Company's shares.

23- None of the capital increases of the Company contradict the laws and regulations in force in the Kingdom.

24- Other than as disclosed in Section 2 ("**Risk Factors**"), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares.

25- Except as disclosed in Section 2 ("**Risk Factors**") and Section 12.5 ("**Key Licenses and Approvals**") the Company and its Subsidiaries have obtained all the essential licenses and approvals to carry out their activities.

26- Except as disclosed in Section 12.10 ("**Claims and Litigation**"), the Company and its Subsidiaries are not party to any outstanding disputes, claims, lawsuits or investigation proceedings that may have a material impact on the Company's operations or financial position.

27- Except as disclosed in Section 12.7 ("**Credit Facilities and Loans**"), the Company and its Subsidiaries have not issued any debt instruments, received any term loans or have any outstanding loans or debts.

28- Except as disclosed in Section 12.7 ("**Credit Facilities and Loans**"), there are no mortgages, rights and encumbrances on the properties of the Company or its Subsidiaries as at the date of this Prospectus.

29- None of the shares of the Company or the shares of its Subsidiaries are subject to any options.

30- Except as disclosed in Section 4.10 ("**Research and development, investments and initiatives**"), neither the Company nor its Subsidiaries have a policy on research and development of new products and production methods over the previous three financial years.

31- The Company is capable of preparing the necessary reports in a timely manner according to the implementing regulations issued by the CMA.

32- All necessary approvals for offering and listing the Company's shares in the market have been obtained.

33- As at the date of this Prospectus, there are no material transactions or agreements with Related Parties that have a material impact on the Company's business other than those set out in Section 12.6.4 ("**Material Agreements with Related Parties**"), and the Company confirms that it will comply with all laws and regulations that govern transactions with Related Parties and will obtain all required approvals in respect of any agreements and transactions entered into after the date of this Prospectus.

In addition to the declarations set out above, the Directors declare that:

1- Third party information and data included in this Prospectus, including the information derived from the market study report, is reliable and there is no reason for the Company to believe that such information is materially inaccurate.

2- The Company has prepared appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible conflicts, which include the misuse of the Company's assets and abuse resulting from transactions with Related Parties. In addition, the Company has verified the integrity of financial and operational systems and the application of appropriate risk management controls, as required by the CGRs. The Directors also review the Company's internal control procedures on an annual basis.

3- The accounting and internal control systems and the information technology systems are adequate and appropriate.

4- As at the date of this Prospectus, none of the Directors have participated in any activity similar to or competitive with that of the Company or its Subsidiaries. The Directors undertake to comply with this regulatory requirement in the future in accordance with Article 72 of the Companies Law and Chapter 6 of Part 3 of the CGRs.

5- The Directors are not permitted to have any direct or indirect interest in the Company's transactions and contracts except with authorization from the General Assembly.

6- The Directors shall notify the Board of Directors of any direct or indirect personal interest they have in the transactions and contracts entered into by the Company, and this notification will be recorded in the Board of Directors' meeting minutes.

7- All transactions with Related Parties disclosed in Section 12.6.4 ("**Material Agreements with Related Parties**"), including specifying the consideration, have been entered into in a legal manner and on an arm's length basis similar to agreements with third parties.

8- All transactions with Related Parties shall be entered into on a commercial basis, and all business and contracts with Related Parties shall be approved by the Board of Directors and, if required by law, the Company's General Assembly. Directors may not vote on any decision related to the business and contracts of the Company in which they hold a direct or indirect interest, whether at the level of the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the CGRs.

9- The Directors and CEO shall not have the right to vote on decisions relating to fees and remuneration granted to them.

10- The Directors and the CEO do not have the right to vote on contracts or proposals in which they have an interest.

11- Neither the Directors nor any Senior Executive may obtain a loan from the Company or its Subsidiaries, and the Company shall not guarantee any loan entered into by any of the Directors.

12- The Company is complaint with all terms and conditions under the agreements entered into with the entities that have granted loans, facilities and financing, and the Company has not received any notice from lenders stating that it has breached any of its covenants and obligations under the financing agreements up to the date of this Prospectus.

13- As at the date of this Prospectus, the Company and its Subsidiaries are not engaged in any business activity outside the Kingdom, nor is any material part of its assets or the assets of its Subsidiaries located outside the Kingdom.

14- All documents required pursuant to the CML and the OSCOs have been submitted or will be submitted to the CMA.

The Directors undertake to:

- Record all Board resolutions and deliberations in written minutes signed thereby.
- Disclose the details of any Related Party transactions in accordance with the Companies Law, the CGRs and the Regulatory Rules and Procedures Relating to Listed Joint Stock Companies.
- Comply with Articles 71, 72 and 73 of the Companies Law, Chapter 6 of Part 3 of the CGRs, and the regulatory rules and procedures issued in implementation of the Companies Law.

12. Legal Information

12.1 Declarations Related to Legal Information

The Directors declare that:

a- The issuance does not constitute a breach of the relevant laws and regulations in The Kingdom of Saudi Arabia.

b- The issuance does not constitute a breach of any contract/agreement entered into by the Issuer.

c- All material legal issues concerning the Issuer have been disclosed in the Prospectus.

d- Except as disclosed under Section 12.10 ("**Claims and Litigation**") of this Prospectus, the Issuer and its Subsidiaries are not subject to any claims or legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.

e- The Directors are not subject to any claims or legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its Subsidiaries or their financial position.

12.2 The Company

The Power and Water Utility Company for Jubail and Yanbu (Marafiq) (hereinafter referred to as the "**Company,**" "**Marafiq**" or the "**Issuer**") is a Saudi closed joint stock company established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G), registered under Commercial Registration No. 2055004968 dated 17/06/1422H (corresponding to 05/09/2001G) in Jubail, the Kingdom of Saudi Arabia. Its head office is in Jubail Industrial City, Road 100, P.O. Box 11133 Jubail 31961, the Kingdom of Saudi Arabia. The Company's current capital is two billion, five hundred million Saudi Riyals (SAR 2,500,000,000), divided into two hundred and fifty million (250,000,000) fully paid ordinary shares of equal value with a nominal value of ten Saudi Riyals (SAR 10) per share. In addition to the Company's business, the Company undertakes its business through its wholly or partially owned Subsidiaries (for more information about the Company's Subsidiaries, please refer to Section 12.4 ("**Subsidiaries**") of this Prospectus). Marafiq was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G) issued pursuant to COM No. 171 dated 12/07/1421H (corresponding to 11/10/2000G), which included the approval of the establishment of Marafiq based on COM No. 57 issued on 28/03/1420H (corresponding to 12/07/1999G), in which the establishment of a Saudi joint-stock company was approved in the industrial cities of Jubail and Yanbu for the purpose of carrying out operation, maintenance, management, expansion and construction works and ownership of basic utility facilities (seawater cooling systems, desalinated and treated water, industrial and sanitary wastewater and electricity systems).

The Company's principal activities (according to its Bylaws) are water supply, sewage activities, waste management and treatment, electricity, gas, steam and air conditioning supply, process industry and construction. Furthermore, the Company may perform any necessary or supplementary work for these purposes, including the importation of materials, etc. The Company may also provide such services in all regions of the Kingdom, with an obligation to provide such services to all beneficiaries in the industrial cities of Jubail and Yanbu.

12.3 Shareholding Structure

The following table shows the Company's shareholding structure before and after the Offering:

Table (12.1): Company's Shareholding Structure Before and After the Offering

Shareholders	Pre-Offering				Post-Offering			
	Number of Shares	Nominal Value (SAR)	Direct Ownership (%)	Indirect Ownership (%)	Number of Shares	Nominal Value (SAR)	Direct Ownership (%)	Indirect Ownership (%)*
Public Investment Fund	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
The Royal Commission for Jubail and Yanbu.	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Basic Industries Corporation (SABIC)	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Saudi Aramco Power Company	62,023,625	620,236,250	24.81%	-	43,750,000	437,500,000	17.5%	-
Zamil Group Holding Company	500,000	5,000,000	0.2%	-	500,000	5,000,000	0.2%	-
Al Yusr Industrial Contracting Company WLL	200,000	2,000,000	0.08%	-	200,000	2,000,000	0.08%	-
Khonaini International Company Ltd.	1,100,000	11,000,000	0.44%	-	1,100,000	11,000,000	0.44%	-
The National Titanium Dioxide Company Ltd. (Cristal)	100,000	1,000,000	0.04%	-	100,000	1,000,000	0.04%	-
Rakaiz Al-Jubail Holding Company	5,500	55,000	0.0022%	-	5,500	55,000	0.0022%	-
The Public	-	-	-	-	73,094,500	730,945,000	29.24%	-
Total	**250,000,000**	**2,500,000,000**	**100%**	**-**	**250,000,000**	**2,500,000,000**	**100%**	**-**

* For the purposes of this Table, indirect ownership includes shares owned indirectly by Shareholders through companies or persons controlled by the relevant Shareholder.

Source: The Company

12.4 Subsidiaries

The Company owns interests and shares in several Subsidiaries. The following table shows the details and percentages of the Company's ownership in those companies:

Table (12.2): Subsidiaries of the Company

#	Subsidiaries	Country of Incorporation	Commercial Registration No.	Commercial Registration Issue Date	Commercial Registration Expiration Date	Partners/ Shareholders	Ownership or Contribution Percentage of Each Partner/ Shareholder
1	Jubail Water and Power Company (JWAP)	Jubail, KSA	2055008295	06/04/1428H (corresponding to 23/04/2007G)	04/04/1444H (corresponding to 29/10/2022G)	SGA Marafiq Holdings	60%
						The Company	30%
						Public Investment Fund	5%
						SEC	5%
2	Marafiq Water and Power Supply Company (Tawreed)	Jubail, KSA	2055007949	25/11/1427H (corresponding to 16/12/2006G)	24/11/1447H (corresponding to 11/05/2026G)	The Company	100%
3	MASA Services Copmpany for Operation and Maintenance (MaSa)	Jubail, KSA	2055014785	30/01/1433H (corresponding to 25/12/2011G)	22/12/1444H (corresponding to 07/10/2023G)	The Company	100%
4	Marafiq Insurance Limited	Guernsey	44134	23/12/2005G	N/A	The Company	100%
5	Jeddah Althaniya Water Company (a closed joint-stock company)	Jeddah, KSA	4030357564	09/10/1440H (corresponding to 12/06/2019G)	09/10/1447H (corresponding to 28/03/2026G)	The Company	45%
						Veolia Water Desalination Company	20%
						Alamwal Alkhaleejiah Althaniya	35%
6	Jeddah Althaniya Operation and Maintenance Company	Jeddah, KSA	4030356633	11/09/1440H (corresponding to 16/05/2019G)	18/09/1445H (corresponding to 28/03/2024G)	The Company	49%
						Veolia Water Desalination Company	51%
7	Jubail and Yanbu District Cooling Company	Jubail, KSA	2055011479	24/02/1431H (corresponding to 08/02/2010G)	19/11/1445H (corresponding to 27/05/2024G)	The Company	20%
						Saudi District Cooling Company	80%

Source: The Company

12.5 Key Licenses and Approvals

Marafiq was established by Royal Decree No. M/29 dated 21/07/1421H (corresponding to 18/10/2000G) issued pursuant to COM No. 171 dated 12/07/1421H (corresponding to 11/10/2000G), which included the approval of the establishment of Marafiq based on COM No. 57 issued on 28/03/1420H (corresponding to 12/07/1999G), in which the establishment of a Saudi joint-stock company was approved in the industrial cities of Jubail and Yanbu for the purpose of carrying out operation, maintenance, management, expansion and construction works and ownership of basic utility facilities (seawater cooling systems, desalinated and treated water, industrial and sanitary wastewater and electricity systems).

The Group has obtained several licenses from the competent authorities, including the Royal Commission, the Water and Electricity Regulatory Authority, the Ministry of Environment, Water and Agriculture and the Ministry of Energy based on the relevant sectors. Below is an explanatory overview of the regulator for each sector in which the Company operates as at the date of this Prospectus (please refer to Section 1.1 ("**Technical Definitions**") to clarify the meanings of the technical terms contained in this section):

Regulatory body for the water sector

In July 2020G, the Council of Ministers approved the Water Law under resolution No. 710 dated 09/11/1441H, which was approved by Royal Decree No. M/159 dated 11/11/1441H. The law stipulates that the Water and Electricity Regulatory Authority (WERA) shall undertake the tasks of implementing the Law and regulating the water sector in general. However, COM No. 710 provides that the Ministry of Environment, Water, and Agriculture (MEWA) shall carry out the water regulator's duties, with the exception of those relating to co-generation, for four years from the effective date of the Water Law. This period is subject to extension as MEWA deems appropriate, provided that such extension is approved by His Majesty the King.

COM No. 710 also stipulates that MEWA, the Ministry of Energy (MOE) and the Ministry of Industry and Mineral Resources (MIMR) shall prepare a memorandum of understanding to regulate some aspects related to the application of some provisions of the Water Law for areas and facilities under the supervision of the MOE and MIMR or the entities associated with any of them. Accordingly, a memorandum of understanding was signed in April 2021G between the MEWA and MIMR to implement some provisions of the Water Law, including the regulation of industrial water activities. It was also agreed that the Royal Commission Board of Directors (RC BOD) shall assume its regulatory role related to industrial water services in four industrial cities, namely Jubail, Yanbu, RIC and JCPDI. Based on the foregoing, the Group was unable to obtain any clarification from the aforementioned authorities regarding how the RC BOD regulates industrial water services with respect to issuing the necessary licenses to provide industrial water treatment services, as well as to distribute and sell process water.

It should be noted that seawater cooling activities are not currently subject to any specific regulation, as there is no statutory license issued in connection with this activity. However, Marafiq provides this service (along with its other water and energy services) in accordance with COM No. 57 dated 28/03/1420H. It is also worth noting that COM No. 702 was issued in 2021G, which provides for the transfer of MEWA's competencies related to the transfer, distribution and sale of treated water to the Saudi Irrigation Organization. The Company believes that this will not affect its business, because the process of selling treated water is based on the approved tariff, and the Company has obtained the necessary license to carry out this activity.

Therefore, all water activities (except for seawater cooling and co-generation) are licensed by MEWA. However, in accordance with the memorandum of understanding concluded between MEWA and MIMR, industrial water services provided by Marafiq will be regulated by the RC BOD. Due to these recent updates, no licenses have been issued related to the activities of providing industrial water treatment services and distributing and selling process water. However, the Company will continue to provide these services in accordance with COM No. 57 dated 28/03/1420H. For more information about any associated risks, please refer to Section 2.2.1 ("**Risks related to the regulatory environment and regulatory changes**") of this Prospectus.

Regulatory body for the electricity sector

The Water and Electricity Regulatory Authority (WERA) is the regulator of the electricity and co-generation sector in the Kingdom of Saudi Arabia, according to the Electricity Law and WERA's regulations for the electricity and co-generation sector. Thus, WERA is the authority responsible for issuing all of Marafiq's licenses for these services.

Regulatory body of the gas distribution sector

The Ministry of Energy (MOE) is the regulator of gas distribution activities in accordance with the Distribution of Dry Gas and Liquefied Petroleum Gas for Residential and Commercial Purposes Law and the Gas Supplies and Pricing Law. License No. 8 dated 01/07/1427H was issued to the Royal Commission to establish, own and operate a local dry gas distribution network in the light industrial park in Yanbu Industrial City on behalf of Marafiq. COM No. 70/O dated 06/01/1431H (corresponding to 23/12/2009G) was issued approving the transfer of License No. 8 dated 01/07/1427H to Marafiq.

The Directors declare that the Group has obtained all the necessary licenses and approvals required to conduct its business, taking into account the abovementioned licenses for the production of cooling water, process water and industrial wastewater. Such licenses and certificates requiring renewal or updating are periodically renewed or updated in a timely manner. The table below shows the current licenses obtained by the Group:

Table (12.3): Details of the Company's Key Licenses and Approvals and Commercial Registration Certificates

License Type	Purpose	License No.	Issue Date	Expiration Date	Issuing Authority
Marafiq					
Commercial Registration	Registration of the Company in the Commercial Register.	2055004968	17/06/1422H (corresponding to 30/01/2001G)	10/06/1447H (corresponding to 01/12/2025G)	Jubail Commercial Register Office
Zakat Certificate	The Company's compliance with Zakat requirements for the period ended 31/12/2021G.	1110020451	25/09/1443H (corresponding to 26/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA
VAT Registration Certificate	The Company's compliance with VAT registration.	N/A	12/03/1439H (corresponding to 30/11/2017G)	N/A	ZATCA
Saudization Certificate	The Company's compliance with the Saudization requirements.	20002201007636	08/06/1443H (corresponding to 11/01/2022G)	10/09/1443H (corresponding to 11/04/2022G)	MHRSD
GOSI certificate	The Company's compliance with GOSI requirements.	44109082	12/07/1443H (corresponding to 13/02/2022G)	11/08/1443H (corresponding to 14/03/2022G)	GOSI
Muqem Certificate	The Company's compliance with Muqem requirements.	7001433833	13/07/1443H (corresponding to 14/02/2022G)	N/A	Ministry of Interior
A license to establish, own and operate a local dry gas distribution network (Yanbu)	-	8	01/07/1427H (corresponding to 26/07/2006G)	25 years	Ministry of Energy (formerly known as the Ministry of Petroleum and Mineral Resources)
Co-generation License (Yanbu)	A license to develop, construct, own and operate a co-generation plant, generate power and produce and–sell desalinated water.	ر - 080620	17/06/1429H (corresponding to 21/06/2008G)	25 years	WERA
Co-generation License Amendment (Yanbu) (1)	A license to develop, construct, own and operate a co-generation plant, generate power and produce and–sell desalinated water.	ر - 080620	24/06/1433H (corresponding to 15/05/2012G)	25 years	WERA
Power Distribution and Retail Supply License (Yanbu)	-	ر - 100233	13/03/1431H (corresponding to 27/02/2010G)	25 years	WERA
Power Distribution and Retail Supply License (Jazan)	-	ر - 200775	09/08/1442H (corresponding to 22/03/2021G)	25 years	WERA
Power Transmission License (Yanbu)	-	ر - 100232	13/03/1431H (corresponding to 27/02/2010G)	25 years	WERA
Strategic Water Storage License (Jubail and Yanbu)	A license for strategic water storage using the licensee's tank facilities, including ownership or lease of the strategic storage facilities assets, as well as preparation of plans, development, construction, maintenance, expansion and operation.	خ.إ. 2105/03	03/10/1442H (corresponding to 15/05/2021G)	25 years	MEWA

License Type	Purpose	License No.	Issue Date	Expiration Date	Issuing Authority
Desalinated Water Production License (Jubail, Yanbu and Jazan)	A license to produce desalinated water using the licensee's desalinated water production facilities, including ownership or lease of the desalinated water production assets, as well as preparation of plans, development, construction, maintenance, expansion and operation, with the exception of co-generation.	2015/04 إ.م.1.	03/10/1442H (corresponding to 15/05/2021G)	25 years	MEWA
Sanitary Wastewater Treatment License (Jubail and Yanbu)	A license to treat sanitary wastewater using the licensee's sanitary wastewater treatment facilities, including ownership or lease of sanitary wastewater treatment assets, as well as preparation of plans, development, construction, maintenance, expansion and operation.	02/2105 م.ص.1.	03/10/1442H (corresponding to 15/05/2021G)	25 years	MEWA
Purified and Desalinated Water Distribution and Retail (Jubail and Yanbu)	A license to purchase water in bulk from a licensee for its distribution, supply and retail sale using desalinated and purified water distribution facilities, including ownership or lease of the desalinated and purified water distribution assets, as well as preparation of plans, development, construction, maintenance, expansion and operation.	2105/02 ت.م.	03/10/1442H (corresponding to 15/05/2021G)	25 years	MEWA
Sanitary Wastewater Collection and Transportation License (Jubail and Yanbu)	A license to collect and transport sanitary wastewater by collecting it from the consumer and supplying it to licensed sanitary wastewater treatment plants, using the licensee's sanitary wastewater collection and transportation facilities, including ownership or lease of the sanitary wastewater collection and transportation assets, as well as preparation of plans, development, construction, maintenance, expansion and operation.	2105/02 ت.ص.1.	03/10/1442H (corresponding to 15/05/2021G)	25 years	MEWA
Treated Water Distribution and Retail License (Jubail and Yanbu)	A license for the purchase, distribution, supply and retail sale of treated water in bulk, using the licensee's distribution facilities, including ownership or lease of the treated water transportation and distribution assets as well as the preparation of plans, development, construction, maintenance, expansion and operation.	2108/01 ن.ت.م.	08/01/1443H (corresponding to 16/08/2021G)	5 years	MEWA
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 – 286.2	25/11/1440H (corresponding to 28/07/2019G)	04/12/1445H (corresponding to 11/06/2024G)	Royal Commission

License Type	Purpose	License No.	Issue Date	Expiration Date	Issuing Authority
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 - 818	09/05/1443H (corresponding to 13/12/2021G)	02/07/1448H (corresponding to 12/12/2026G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 - 669	18/08/1438H (corresponding to 14/05/2017G)	14/05/1443H (corresponding to 18/12/2021G)[20]	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 – 292.1	03/04/1440H (corresponding to 10/12/2018G)	15/12/1444H (corresponding to 04/07/2023G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 - 461.1	24/09/1443H (corresponding to 25/04/2022G)	17/11/1448H (corresponding to 24/04/2027G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	M17 - 500	18/08/1438H (corresponding to 14/05/2017G)	25/08/1443H (corresponding to 28/03/2022G)[21]	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	1-04-1187	03/10/1443H (corresponding to 04/05/2022G)	18/06/1445H (corresponding to 31/06/2023G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	1-196-0315	23/07/1441H (corresponding to 18/03/2020G)	18/09/1446H (corresponding to 18/03/2025G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	1-209-0317	13/08/1443H (corresponding to 16/03/2022G)	18/06/1445H (corresponding to 31/12/2023G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	1-147-0214	08/06/1440H (corresponding to 13/02/2019G)	03/08/1445H (corresponding to 13/02/2024G)	Royal Commission
Environmental Permit to Operate	Environmental permit to operate an industrial facility.	2-07-1185	04/11/1442H (corresponding to 14/07/2021G)	28/12/1447H (corresponding to 14/06/2026G)	Royal Commission
Industrial Establishment License - National	Other multi-purpose machinery manufacturing license.	431102114558	05/02/1443H (corresponding to 12/09/2021G)	09/03/1446H (corresponding to 12/09/2024G)	MIMR

[20] The Company is currently renewing the license.
[21] The Company is currently renewing the license.

Table (12.4): Details of the Subsidiaries' Key Licenses and Approvals and Commercial Registration Certificates

License Type	Purpose	License No.	Issue Date	Expiration Date	Issuing Authority
JWAP					
Commercial Registration	Registration of the company in the Commercial Register.	2055008295	06/04/1428H (corresponding to 23/04/2007G)	04/04/1444H (corresponding to 29/10/2022G)	Jubail Commercial Register Office
Zakat Certificate	The Company's compliance with Zakat requirements for the period ended 31/12/2021G.	1110175312	08/10/1443H (corresponding to 11/05/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA
VAT Registration Certificate	The Company's compliance with VAT registration.	3004173866	02/12/1438H (corresponding to 24/08/2017G)	N/A	ZATCA
GOSI Certificate	The Company's compliance with GOSI requirements.	44225312	15/07/1443H (corresponding to 16/02/2022G)	14/08/1443H (corresponding to 17/03/2022G)	GOSI
Saudization Certificate	Company's compliance with Saudization requirements.	20002202020492	15/07/1443H (corresponding to 16/02/2022G)	15/10/1443H (corresponding to 16/05/2022G)	MHRSD
Valuation Certificate	The Company's compliance with the valuer's requirements.	7001522502	18/04/1443H (corresponding to 23/11/2021G)	N/A	Ministry of Interior
Co-generation License	A license to develop, construct, own and operate a co-generation plant, generate electricity and produce and sell desalinated water.	070507 - T	14/04/1428H (corresponding to 01/05/2007G)	25 years	WERA
Industrial Investment License	Industrial investment license for industrial activities.	1031057683	26/04/1428H (corresponding to 13/05/2007G)	01/04/1444H (corresponding to 27/10/2022G)	MISA
Environmental Permit to Operate	Environmental license to operate an industrial facility.	EPO M17- 288.2	12/10/1442H (corresponding to 24/05/2021G)	07/12/1447H (corresponding to 23/05/2026G)	Royal Commission
Environmental Approval Certificate	An environmental certificate approving the company's activity.	9/29/1089M	16/03/1429H (corresponding to 24/03/2008G)	N/A	General Authority of Meteorology and Environmental Protection
MaSa					
Commercial Registration	Registration of the company in the Commercial Register.	2055014785	30/01/1433H (corresponding to 24/12/2011G)	22/12/1444H (corresponding to 10/07/2023G)	Jubail Commercial Register Office
Zakat Certificate	Company's compliance with Zakat requirements for the period ended 31/12/2021G.	1110257139	21/10/1443H (corresponding to 22/05/2022G)	10/10/1443H (corresponding to 30/04/2023G)	ZATCA
VAT Registration Certificate	Company's compliance with VAT registration.	3004657326	12/03/1439H (corresponding to 30/11/2017G)	N/A	ZATCA
GOSI Certificate	Company's compliance with GOSI requirements.	46856334	13/11/1443H (corresponding to 12/06/2022G)	12/12/1443H (corresponding to 11/07/2022G)	GOSI
Saudization Certificate	Company's compliance with Saudization requirements.	42244016-166016	13/11/1442H (corresponding to 12/06/2022G)	14/02/1444H (corresponding to 10/09/2022G)	MHRSD
Tawreed					
Commercial Registration	Registration of the company in the Commercial Register.	2055007949	25/11/1427H (corresponding to 16/12/2006G)	24/11/1447H (corresponding to 11/05/2026G)	Jubail Commercial Register Office

License Type	Purpose	License No.	Issue Date	Expiration Date	Issuing Authority
Zakat Certificate	Company's compliance with Zakat requirements for the period ended 31/12/2021G.	11100003352	25/09/1443H (corresponding to 26/04/2022G)	10/10/1444H (corresponding to 30/04/2023G)	ZATCA
VAT Registration Certificate	The Company's compliance with VAT registration.	3005188745	14/04/1442H (corresponding to 29/11/2020G)	N/A	ZATCA
Desalinated Water Trading License	-	01/0322 T.W.	05/08/1443H (corresponding to 08/03/2022G)	20 years	MEWA
Electricity Trading License	-	ر - 081225	06/10/1440H (corresponding to 09/06/2019G)	5 years	WERA
Jeddah Althaniya Operation and Maintenance Company					
Commercial Registration	Registration of the company in the Commercial Register.	4030356633	18/09/1440H (corresponding to 23/05/2019G)	18/09/1445H (corresponding to 28/03/2024G)	Jeddah Commercial Register Office in Jeddah
Zakat Certificate	The Company's compliance with Zakat requirements for the period ended 31/12/2020G.	1030728242	18/09/1442H (corresponding to 30/04/2021G)	29/09/1443H (corresponding to 30/04/2022G)	ZATCA
VAT Registration Certificate	The Company's compliance with VAT registration.	3103841568	24/02/1441H (corresponding to 23/10/2019G)	N/A	ZATCA
GOSI Certificate	The Company's compliance with GOSI requirements.	45667480	11/09/1443H (corresponding to 12/04/2022G)	10/10/1443H (corresponding to 11/05/2022G)	GOSI
Service Investment License	A service investment license for service provision activities.	11205400889069	16/08/1440H (corresponding to 21/04/2019G)	09/08/1445H (corresponding to 19/02/2024G)	MISA
Membership Certificate	-	328560	18/09/1440H (corresponding to 23/05/2019G)	18/09/1445H (corresponding to 28/03/2024G)	Jeddah Chamber
Jeddah Althaniya Water Company					
Commercial Registration	Registration of the company in the Commercial Register.	4030357564	09/10/1440H (corresponding to 12/09/2019G)	09/10/1447H (corresponding to 28/03/2026G)	Jeddah Commercial Register Office in Jeddah
Zakat Certificate	The Company's compliance with Zakat requirements for the period ended 31/12/2020G.	1030723378	17/09/1442H (corresponding to 29/04/2021G)	29/09/1443H (corresponding to 30/04/2022G)	ZATCA
VAT Registration Certificate	The Company's compliance with VAT registration.	100201017409457	04/11/1441H (corresponding to 25/06/2020G)	N/A	ZATCA
GOSI Certificate	The Company's compliance with GOSI requirements.	46864229	13/11/1443H (corresponding to 12/06/2022G)	12/12/1443H (corresponding to 11/07/2022G)	GOSI
Industrial Investment License	Industrial investment license for industrial activities.	11105400889136	16/08/1440H (corresponding to 21/04/2019G)	09/08/1445H (corresponding to 19/02/2024G)	MISA
Environmental Permit to Construct	Environmental license to construct an industrial facility.	16383	15/07/1443H (corresponding to 16/02/2022G)	08/05/1446H (corresponding to 10/11/2024G)	National Center for Environmental Compliance
Membership Certificate	-	7015328094	09/10/1440H (corresponding to 12/06/2019G)	09/10/1447H (corresponding to 28/03/2026G)	Jeddah Chamber

Source: The Company

12.6 Material Agreements

The Company and its Subsidiaries enter into a large number of contractual arrangements in their ordinary course of business, which include those with third parties and Related Parties, as well as those among Group companies. This section, 12.6 ("**Material Agreements**"), summarizes the contracts and agreements that the Company considers to be material, important or likely to influence a decision to invest in the Offer Shares.

The Company has included a summary of the most important provisions of these contracts and agreements in this section. There are no other material agreements in the context of the Group's business that are not disclosed in this section 12.6 (except for the financing agreements included in Section 12.7 ("**Credit Facilities and Loans**") and lease agreements related to the Group's real estate properties included in Section 12.8 ("**Real Estate**")), and the Company has not breached any of the material terms and conditions set forth in those agreements. The summaries of the agreements and contracts referred to below do not include all their terms and conditions and cannot be considered substitutes for the terms and conditions of such agreements and contracts.

12.6.1 Material Agreements Entered into with Customers

The Company has adopted a standard template for the utility services agreements that the Company frequently and usually enters into with third parties and Related Parties for the main services it provides in the industrial cities it operates in, whereby Marafiq, in its capacity as the competent service provider, provides utility services in those cities, such as potable water, treated water, seawater cooling, collecting and treating sanitary wastewater, as well as collecting and treating industrial wastewater and power. The Company uses this template in agreements it enters into with all of its customers, except for Sadara, which has a different arrangement with the Company, as the Company entered into an industrial water supply agreement under which it agreed to build a plant for integrated chemical complex owned by Sadara (for further details, please refer to Section 12.6.1.2 ("**Other Material Agreements Entered into with Customers**") below).

12.6.1.1 Utility User Agreements

As at 31 December 2021G, the Company entered into agreements to provide utility services with 171 industrial customers, all operating in the industrial cities of Jubail and Yanbu. The Company's total revenues from these agreements amounted to SAR 3,454,499,551, which constituted approximately 56% of the Company's total revenues for the financial year ended 31 December 2021G.

The Company's ten largest customers in terms of revenue in 2019G, 2020G and 2021G are Yanbu Aramco Sinopec Refining Company Limited (Yasref), Yanbu National Petrochemical Company (Yanpet), Yanbu National Petrochemical Company (Yansab), Saudi Aramco Mobil Refinery Company Limited (SAMREF), National Industrial Gases Company (Gas), Tronox Saudi Industries Company, Arabian Petrochemical Company (Petrokemya-North) (formerly known as Sadaf), Arabian Petrochemical Company (Petrokemia-South), Eastern Petrochemical Company (Sharq) and Saudi Aramco Total Refining and Petrochemical Company (SATORP) ("**Key Customers**").

The following table shows the Company's total revenues from Utility User Agreements entered into with Key Customers for the financial years ended 31 December 2019G, 2020G and 2021G and the three-month period ended 31 March 2022G.

Table (12.5): Company's Total Revenues from Utility User Agreements Entered Into with Key Customers for the Financial Years Ended 31 December 2019G, 2020G and 2021G and the Three-Month Period Ended 31 March 2022G

Total Revenues for the Financial Year Ended 31 December 2019G		Total Revenues for the Financial Year Ended 31 December 2020G		Total Revenues for the Financial Year Ended 31 December 2021G		Total Revenues for the Three-Month Period Ended 31 March 2022G	
Energy	Water	Energy	Water	Energy	Water	Energy	Water
SAR 987,689,777	SAR 697,638,477	SAR 955,351,089	SAR 705,632,449	SAR 982,740,876	SAR 733,581,131	SAR 234,275,307	SAR 170,887,168

It should be noted that all Utility User Agreements are drafted according to the standard template approved by the Company. The table below shows a summary of the main terms of the Utility User Agreements.

Table (12.6): Summary of the Main Terms of the Utility User Agreements

Utility User Agreement	
Term and Renewal	The term of the agreement begins on the effective date and it remains valid for thirty (30) years unless terminated under its provisions prior to the end of the agreement. The term may be extended for additional periods upon the parties' written agreement.
Termination of the Agreement	1- Either party may terminate the agreement by sending the other party a written notice if the other party materially breaches one of the terms of the agreement and the breach is not corrected within ninety (90) days of receiving a notice of breach or within any other period agreed between both parties. The termination of the agreement does not relieve either party of its obligations under the agreement that arose prior to its termination. 2- If a customer does not wish to remain on the site, it may terminate the agreement by providing a written notice to Marafiq at least twelve (12) months prior to the date of vacating the property.
Key Obligations	1- Marafiq shall provide the customer with the utility services specified in the agreement. The customer shall pay a fee for such services based on the tariff approved by the relevant authority in accordance with the terms and conditions of the agreement. 2- The customer shall provide sufficient space to enable Marafiq to install the facilities and connection equipment necessary to provide the customer with services. The customer may not change or modify such Marafiq-owned facilities and equipment, and protect them at the customer's expense. 3- In the absence of measuring equipment, Marafiq shall provide and install the meters required to measure the supply of each of the utility services to be provided by it before beginning to supply such services to the customer. The customer shall reimburse Marafiq for costs resulting from this. 4- The customer shall not resell any of utility services provided by Marafiq to third parties, and shall notify Marafiq in the event of any change to the expected needs and requirements of the services provided under the agreement.
Liability and Indemnity	1- Except in cases of gross negligence or willful misconduct by Marafiq, the latter shall not be liable for any loss, claim, damage or compensation as a result of Marafiq's providing or failure to provide the agreed-upon services to the customer in the quantity and/or quality set out in the agreement. However, Marafiq shall endeavor to take the necessary measures to remedy the situation and to correct any negligence or breach as soon as possible. 2- Each party shall compensate the other party for any losses resulting from its negligence or failure to act in accordance with the agreement, except in cases of gross negligence, willful misconduct or breach of the provisions of the agreement by the other party.
Value of Agreement	The agreement's value and service fees shall be determined separately for each service in accordance with the table attached to the agreement. Marafiq shall have the right to amend the fees as approved by the regulatory authority by submitting a written notice at least sixty (60) days in advance. The table below shows the total annual income for the financial years ended 31 December 2019G, 2020G and 2021G from ten Key Customers of Marafiq.
Assignment and Subcontracting	The customer may not assign its rights and obligations under the agreement to any third party without obtaining the consent of Marafiq.
Payment Mechanism	Marafiq shall issue monthly invoices for the amounts owed by the customer under the agreement. The customer shall pay the value of the invoices within a period not exceeding forty-five (45) days as of the date on which the relevant invoice is issued. Marafiq shall have the right to impose financial penalties in the event of late payment by the customer.
Governing Law	The agreement shall be governed and construed in accordance with the laws of the Kingdom of Saudi Arabia. Any dispute arising from the agreement shall be settled amicably. If the dispute is not settled amicably within thirty (30) days as of the date on which the dispute arises, both parties shall resort to mediation and experts in the manner agreed by both parties. In the event that the dispute is not settled within sixty (60) days as of the date of resorting to mediation and special methods for settling the dispute, either party may refer the dispute to the competent judicial authority or to arbitration in accordance with Saudi law.

12.6.1.2 Other Material Agreements Entered into with Customers

The following table shows a summary of the Industrial Water Supply Agreement concluded between Marafiq and Sadara Chemical Company, which is not subject to tariffs set by the regulatory authorities.

Table (12.7): Industrial Water Supply Agreement between Marafiq and Sadara Chemical Company dated 19/11/2012G and amended on 15/03/2015G and 03/02/2019G

Industrial Water Supply Agreement between Marafiq and Sadara Chemical Company dated 19/11/2012G and amended on 15/03/2015G and 03/02/2019G	
Overview	Marafiq (as the Supplier) entered into an Industrial Water Supply Agreement (IWSA) with Sadara Chemical Company (as the Buyer) ("**Sadara**") on 19/11/2012G, in relation to the desalination through seawater reverse osmosis plant (the "**Plant**") located in an integrated chemical complex owned by Sadara ("**Sadara Complex**"). The agreement was amended on 15/03/2015G and on 03/02/2019G. Pursuant to the agreement, Marafiq shall supply the contracted quantity of industrial water produced at the Plant ("**Industrial Water**") and/or any other industrial water ("**Alternative Water**") requested by Sadara in accordance with certain schedules set out in the Industrial Water Supply Agreement. The Company will also operate and maintain industrial water production facilities at the Plant, as well as an industrial water storage tank, certain interconnection facilities and other facilities and equipment leased by Sadara to Marafiq. In return, as of the commercial operation date, Sadara shall pay the Industrial Water Project (a) a payment for the production of industrial water in exchange for the production capacity available in the Industrial Water Plant, and (b) a payment for the production in exchange for the water that will be supplied to Sadara (the "**Agreement**").
Term and Renewal	The Agreement is valid for a period of twenty (20) years as of the commercial operation date of the Plant Project (i.e., 02/03/1438H (corresponding to 01/12/2016G)). The Agreement is renewable according to the following terms: 1- By Sadara for a period of ten (10) years (or for the remaining term of the Plant site lease agreement if it is less than ten (10) years), pursuant to a written notice to be sent by Sadara to Marafiq within a period not exceeding sixty (60) months before the expiry date of the Agreement and no less than fifty-four (54) months before the expiry date of the Agreement, and under the same terms and conditions of the Agreement. 2- Or by either party for a different period or under different terms to be agreed upon by both parties.
Termination of the Agreement	1- Either party may terminate the Agreement in certain events by providing notice to the other party as specified in the Agreement. These events include: a- Termination as a result of default or breach with no less than one hundred and eighty (180) days' notice if the plant shall be purchased by Sadara, or thirty (30) days if it shall not be purchased. b- Termination as a result of a force majeure event occurring for a period of three hundred and sixty-five (365) consecutive days. c- Termination as a result of an increase in costs beyond the control of the parties. Sadara shall have the right to terminate the Agreement pursuant to a written notice to be sent to Marafiq in the event that both parties do not reach an agreement regarding dealing with the increased costs within 60 days (or any other period agreed upon by both parties). d- Termination as a result of material loss sustained by the Plant due to damage caused to its assets. Either party may terminate the Agreement pursuant to a written notice sent to the other party. 2- In the event of termination, the following shall apply to the Plant: a- If the termination occurs as a result of a default or breach by Marafiq, Sadara shall have the right to terminate the Agreement if both parties do not agree on a plan to rectify the defect and begin implementing the same, or to purchase the Plant at a price calculated based on the project costs (the "**Agreed Purchase Price**"), or to instruct Marafiq to dismantle and remove it from the site at Marafiq's expense. b- If the termination occurs as a result of default, a continuing force majeure event, an increase in costs or a breach by Sadara, Sadara shall purchase the Plant at the agreed purchase price, unless the termination occurs as a result of a loss event which requires restoring the exact situation existing before the loss. In such case, the cost of dismantling and removing the industrial water plant project from the site shall be shared by both parties. 3- Sadara shall also have the right, in specific cases, including a breach committed by Marafiq or after a notice of termination is issued, to enter, operate and maintain the Plant instead of Marafiq in accordance with the provisions of the Agreement.

Industrial Water Supply Agreement between Marafiq and Sadara Chemical Company dated 19/11/2012G and amended on 15/03/2015G and 03/02/2019G	
Key Obligations	1- Marafiq has a number of obligations under the Agreement, including the following: a- Operate and maintain the Plant and adhere to the standards set out in the Agreement. b- Provide the agreed-upon amount of water to Sadara in accordance with the agreed-upon specifications and make reasonable commercial efforts to provide additional quantities of water when needed. c- Supply all necessary utility services (except for the support services that will be provided by Sadara under the Agreement), as well as supply the quantities of seawater required for its operations, and remove waste and draining water. 2- In addition to paying the amounts agreed upon for the services of Marafiq, Sadara shall provide certain support services to Marafiq free of charge, including security, emergency and drainage services. Sadara shall have no liability to Marafiq for any aspect of such support services. Sadara shall operate and maintain the interconnection facilities associated with the Plant to obtain water produced by Marafiq.
Liability and Indemnity	1- Marafiq shall be responsible for compensating Sadara for any losses it incurs if the water does not conform to the specifications agreed upon in the Agreement. 2- In the event that Sadara refuses to receive any quantity of water that does not meet the standards stipulated in the Agreement, Marafiq shall be deemed unable to deliver this quantity of water. In this case, Marafiq shall compensate Sadara in accordance with the compensation terms agreed upon by both parties. This shall be done subject to the annual maximum and total limit specified in the Agreement according to a mechanism based on the quantity of undelivered water, the remaining term of the Agreement and other factors. 3- With the exception of certain cases specified in the Agreement, each party shall indemnify the other party for any losses, claims, damage or compensation claimed by any third party if such losses, claims, damage or compensation result from the breaching party's gross negligence or willful misconduct, failure to fulfill any of its obligations under the Agreement or non-compliance with the laws and regulations stipulated in the Agreement. 4- Each party shall indemnify the other party for any losses incurred as a result of the other party's failure to obtain the necessary insurance coverage. The affected party shall have the right to obtain the necessary insurance policies at the expense of the other party.
Value of Agreement	1- Sadara shall pay monthly amounts to Marafiq in exchange for producing and supplying water according to the tariff set out in the Agreement. These amounts include the following: a- Payment for the production capacity of Industrial Water. b- A variable monthly payment for the quantities of Alternative and Industrial Water actually received by Sadara during such months. c- Extra payments for the extra quantities of Industrial Water actually received by Sadara during such months that exceed the contracted production capacity of Industrial Water. 2- The total value of payments received by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 387,973,540.
Payment Mechanism	Marafiq shall issue monthly invoices to Sadara in respect of any amounts owed to it. Sadara shall pay the value of such invoices within a period not exceeding forty-five (45) days as of the date on which such invoices are received.
Assignment and Subcontracting	Except for Sadara's right to assign any of its rights or obligations under the Agreement to any of its financiers pursuant to the financing agreement entered into between them or any third party representing any such financiers, neither party shall have the right to sell, assign or transfer any of its rights or obligations under the Agreement without the prior written consent of the other party.
Governing Law	The Agreement shall be governed and construed in accordance with the laws of the Kingdom of Saudi Arabia. Any dispute arising from the Agreement shall be settled amicably. If the dispute is not resolved amicably within thirty (30) days of its occurrence, recourse shall be made to arbitration in accordance with Saudi Law.

Table (12.8): Agreement to Provide Sanitary Wastewater Treatment Services for Jubail between Marafiq and the Ministry of Environment, Water and Agriculture ("MEWA") on 05/02/2017G

Agreement to Provide Sanitary Wastewater Treatment Services for Jubail, between Marafiq and the Ministry of Environment, Water and Agriculture ("MEWA") on 05/02/2017G	
Overview	Marafiq entered into an agreement dated 05/02/2017G with the Ministry of Environment, Water and Agriculture ("**MEWA**") to provide sanitary wastewater treatment services for Jubail, under which the wastewater of Jubail shall be received and treated at Marafiq's sanitary wastewater treatment plants.
Term and Renewal	This agreement is valid for a period of twenty (20) years as of 05/02/2017G. If the parties agree in writing, the agreement may be renewed for another term or terms.
Termination of the Agreement	This agreement shall be terminated if either party materially breaches its terms and fails to correct such a breach or take reasonable steps to correct the breach within 60 days of receiving written notice to that effect from the other party.
Key Obligations	1- Marafiq has a number of obligations under the agreement, including the following: a- Receiving and treating sanitary wastewater from Jubail through the main direct pipes to its plants located in Jubail Industrial City, provided that such water complies with the sanitary wastewater standards of the Royal Commission and is completely free of any industrial chemicals. b- Installing a meter within its area of responsibility to read the quantities of wastewater received from Jubail, according to the technical specifications used to measure the flow of wastewater. 2- MEWA has a number of obligations under the agreement, including the following: a- Providing Marafiq with the expected pumped quantities for the next ten years before the end of February of each Gregorian year, provided that such quantities include the expected maximum and average monthly quantity during the first year and the expected maximum and average quantity for the remaining nine years. b- Connecting enough pipelines to bring sanitary wastewater from Jubail to the boundaries of Jubail Industrial City. c- Transferring all of Jubail's sanitary wastewater to the Marafiq treatment plant.
Liability and Indemnity	1- Marafiq's area of responsibility shall start from the Jubail Industrial City boundaries as determined by Marafiq, Marafiq shall be responsible for operating and maintaining the sewage pipes within the specified limits only and treating the sanitary wastewater received through such lines. 2- MEWA shall be responsible for the sanitary wastewater networks in Jubail, as well as the operation and maintenance of the main sewage pipes from Jubail to the boundaries of Jubail Industrial City, and for adding an additional pipeline to keep up with the future phase quantities or replacing any part of the existing pipeline for the same purpose.
Value of Agreement	MEWA shall pay monthly sums for treated water in accordance with the mechanism set out in the agreement. The total payments received by Marafiq in the financial year ended 31 December 2021G under this agreement amounted to SAR 51,198,831.
Payment Mechanism	At the end of each Gregorian month, Marafiq shall prepare a monthly invoice for the amounts owed by MEWA for the quantities of treated water received from Jubail during the previous month. The price of treating a cubic meter of sanitary wastewater shall be calculated according to the tariff set by the water services regulatory authority.
Governing Law	The agreement shall be subject to the laws of the Kingdom of Saudi Arabia. Any disputes arising from the agreement shall be settled amicably. If the dispute is not settled amicably within 30 days from the date on which it arises, either party may resort to the Board of Grievances.

12.6.2 Material Agreements Entered Into with Suppliers

The Company and its Subsidiaries entered into a number of agreements for the purpose of obtaining water or electricity in some cities, as well as for obtaining fuel and sales gas to operate the Group's plants. The following is a summary of the material agreements entered into with the Group's suppliers.

Table (12.9): The Sale and Purchase of Potable Water Agreement between Marafiq and Al-Fatah International for Water and Power Works Company on 26/12/2007G

The Sale and Purchase of Potable Water Agreement between Marafiq and Al-Fatah International for Water and Power Works Company on 26/12/2007G	
Overview	On 26/12/2007G, a potable water sale and purchase agreement was entered into between Marafiq (as the Buyer) and Emares Limited (as the Seller). Emares Limited assigned the agreement to Al-Fatah International for Water and Power Works Company (the "**Seller**") under the First Amendment annex dated 13/03/2008G. The Second Amendment annex on 21/08/2010G and the Third Amendment annex on 01/01/2011G. The Seller shall delivery, install, operate and maintain a potable water production plant and sell it to Marafiq (the "**Agreement**").
Term and Renewal	The Agreement is valid as of 16/12/1428H (corresponding to 26/12/2007G), and shall continue until 07/09/1452H (corresponding to 01/01/2031G), unless terminated earlier.
Termination of the Agreement	1- Marafiq shall have the right to terminate the Agreement and purchase the plant at a value agreed upon by both parties or to obligate the Seller to remove the plant from the site in certain cases, including, for example but not limited to, the following cases: a- If the specifications of potable water are not acceptable, or the quantity of water supplied is less than the quantity required pursuant to the Agreement, and not rectified within 60 consecutive days of the Seller receiving a notice of rectification, except in events of force majeure. b- If there is a continuous failure for a period of (60) days or a cumulative failure for a period of (120) days to provide Marafiq with the agreed-upon quantity of water. Marafiq shall have the right to enter the site and take over the operation of the plant. The Seller shall bear the related responsibility and costs, provided that Marafiq continues to pay the agreed-upon amounts subject to operating discounts and other costs described in the Agreement. c- If the Seller abandons the work for a period of (60) consecutive days after receiving a notice from Marafiq, except in events of force majeure. d- If the Seller becomes insolvent and is unable to carry out its material obligations or is declared bankrupt, and other cases described in the Agreement, and such is not rectified and/or a guarantee and evidence that it is taking the necessary measures to rectify the same are not provided for a period not exceeding (30) days as of the date on which it receives a notice to that effect. 2- In addition to the right to terminate the Agreement, Marafiq shall have the right to claim the agreed-upon compensation from the Seller in exchange for the shortage in the required quantity of water for each agreed-upon day, provided that the compensation does not exceed (6%) of the total value of the Agreement for the remaining period. Marafiq reserves the right to seize the amount of the Seller's performance bond to cover any amounts owed to Marafiq.
Key Obligations	1- The Seller shall perform the following: a- Operate and maintain the plant and adhere to the standards set out in the Agreement. b- Provide the agreed-upon quantity of water to Marafiq according to the agreed-upon specifications. c- Obtain all insurance coverage described in the Agreement. d- The Seller shall abide by the environmental regulations issued by the Royal Commission and fulfill environmental permit requirements. 2- Marafiq shall be obliged to purchase a minimum quantity of drinking water from the Seller on a daily basis equal to (75,000) cubic meters at a cost of SAR (3.95) per cubic meter of drinking water supplied. If Marafiq orders more than the minimum amount of drinking water and the Seller agrees, (19%) of the additional drinking water cubic meter value will be deducted. If Marafiq fails to meet the agreed-upon daily quantity and the Seller has an amount equal to or greater than it, Marafiq shall bear the amount of the deficit in that month using the formula described in the Agreement at a rate of SAR (3) per cubic meter.

The Sale and Purchase of Potable Water Agreement between Marafiq and Al-Fatah International for Water and Power Works Company on 26/12/2007G	
Liability and Indemnity	1- The responsibility shall transfer from the Seller to Marafiq at the point of delivery, where the Seller bears all responsibility as a result of water loss until it is delivered. 2- In all cases, the Seller or any of its affiliates shall be liable for an amount not exceeding (10%) of the total value of the Agreement for the previous year as a result of any breach. 3- The Seller shall not be liable if it provides assistance or opinions about the plant or anything else that it is not required to provide under the Agreement. 4- The Seller shall be liable and obliged to compensate Marafiq for any losses in connection with the injury of persons or property, any legal or administrative proceedings or other costs and expenses of any nature as a result of a breach in the implementation of the Agreement, including deaths, except in cases of negligence or intentional misconduct by Marafiq and where the Seller cannot prevent or reduce such losses. 5- No claim resulting from breach, injury, loss or damage against the Seller or any of its subsidiaries shall be accepted unless it occurs during the effective period of the Agreement, and no legal or arbitral proceedings shall be admitted unless they are initiated within one year of the act in question.
Value of Agreement	The total amount of payments received by Marafiq in the financial year ended 31 December 2021G under this agreement amounted to SAR 118,728,462.
Payment Mechanism	The Seller shall be obligated to provide invoices to Marafiq and payment shall be made by Marafiq within thirty (30) days of the invoice date.
Assignment and Subcontracting	The Seller shall be entitled, under a notice provided to Marafiq, to assign its rights and/or obligations under the Agreement, fully or partially, to any of its subsidiaries or associates, in addition to any of the amounts due to it under the Agreement, without notifying Marafiq of the same.
Governing Law	The Agreement is subject to the laws of Saudi Arabia and any dispute arising between the two parties that is not resolved amicably shall be referred to the competent courts in the Kingdom of Saudi Arabia.

Table (12.10): Wholesale Electric Power Supply Agreement between Marafiq and the Saudi Company for Energy Purchase Ltd. on 18/02/2021G, as amended on 01/12/2021G and 07/04/2022G

Wholesale Electric Power Supply Agreement between Marafiq and the Saudi Company for Energy Purchase Ltd. on 18/02/2021G, as amended on 01/12/2021G and 07/04/2022G	
Overview	On 18/02/2021G, Marafiq (as the Buyer) a wholesale electric power supply agreement with the Saudi Company for Energy Purchase Ltd. (as the Seller) (the "**Principal Buyer**") with regard to the purchase of electric power to supply Jazan City for Primary and Downstream Industries (JCPDI). The agreement was amended on 01/12/2021G and 07/04/2022G.
Term and Renewal	The Agreement shall enter into force on 01/01/2022G and will remain in effect until terminated in accordance with the terms of the Agreement. Annexes to the Agreement shall be amended annually in accordance with new legislation, regulations and resolutions issued by the Water and Electricity Regulatory Authority (WERA).
Termination of the Agreement	• The Agreement shall expire in the following cases, and WERA shall be notified at least 3 months prior to the termination date, except for paragraph (f): a- When one of the parties notifies the other party a written notice expressing its desire to terminate the agreement, provided this notice is sent at least 6 months before the required termination date. b- By joint written agreement. c- By the issuance of a final administrative resolution from WERA or any competent Government agency. d- In the case of continuous force majeure for a period of 6 continuous months. e- By the issuance of a final court ruling or administrative decision to dissolve either company or to declare one of them bankrupt or liquidated. f- If any party violates their substantial obligations contained in the Agreement. The other party may send a written notice to the breaching party and notify WERA in due course. If the breaching party fails to correct the breach within 30 days of receiving notice, the other party may terminate the Agreement.

Wholesale Electric Power Supply Agreement between Marafiq and the Saudi Company for Energy Purchase Ltd. on 18/02/2021G, as amended on 01/12/2021G and 07/04/2022G	
Key Obligations	1- Marafiq has a number of obligations under the agreement, including the following: a- Payment of the amount due to the Principal Buyer of electric power purchased in accordance with the mechanism provided in the Agreement. Where the Principal Buyer applies the wholesale electricity supply tariff for each specified kilowatt-hour, the wholesale electricity tariff as set out in the Agreement is subject to any change in the wholesale electricity selling price by WERA. b- Provide a table explaining its needs for the amount of electricity expected to be received monthly for the following year, according to the template specified by the Principal Buyer and before 30 September of each year. 2- The Principal Buyer is bound by a number of obligations under the Agreement, which include the following: a- Provide Marafiq with the required wholesale electrical energy. b- Keep a record at the end of each period of the reading cycle of all meters and devices for measuring electrical energy for a period of five years.
Liability and Indemnity	1- The Principal Buyer shall not be responsible for capacity and output after they are delivered to Marafiq at the convergence point, and the Principal Buyer shall not be responsible for any damage or interruptions to the electrical circuits, systems and equipment of Marafiq for any period, if due to force majeure conditions. In addition, the Principal Buyer shall not be responsible for compensating Marafiq or third parties for any losses or damages in the event of a halt or decrease in the specified voltage due to force majeure. 2- In the event of an accident involving Marafiq's facilities or equipment, the party or parties responsible shall be fully liable for compensating any third party for losses related to injuries and damage caused to them.
Value of Agreement	Marafiq shall be obliged to pay monthly amounts in exchange for the Principal Buyer supplying electricity in bulk in accordance with the mechanism contained in the Agreement, where the total amount of payments received by the Principal Buyer as of the date of this Agreement amount to SAR 15,345,926.
Payment Mechanism	1- The Principal Buyer shall be obliged to prepare a wholesale electricity supply invoice for each month to be submitted to Marafiq within 15 days of the end of the month. The monthly invoice shall include the amount of electricity supplied from the Principal Buyer during the previous month, the amount due for this electricity and the VAT. 2- Marafiq shall be obliged to pay the invoices and the amounts due to the Principal Buyer within 30 days of receipt of the invoice.
Assignment and Subcontracting	No party shall assign, sell or transfer the Agreement or any of its rights or obligations to a third party without the prior written consent of the Water and Electricity Regulatory Authority and the third party.
Governing Law	1- The Agreement shall be governed by the laws of the Kingdom of Saudi Arabia. Any dispute arising therefrom shall be settled amicably within 15 days from the date one of the parties notifies the other party of the dispute. In the event that this is not possible, either of the parties, individually or collectively, may lodge a complaint before WERA. 2- If one or both parties to the Agreement do not agree with WERA's decision, the dispute shall be referred to the Electricity Industry Dispute Resolution Committee for a decision. If one of the parties to the Agreement does not accept the Committee's decision, it may file an appeal with the Board of Grievances within 60 days of the decision.

12.6.3 Other Material Agreements

The following is a summary of other material agreements entered into by the Company and its Subsidiaries.

Table (12.11): Power and Water Purchase Agreement between Tawreed and JWAP on 15 January 2007G and amended on 14 May 2007G, 04 June 2007G and 20 June 2009G

Power and Water Purchase Agreement between Tawreed and JWAP on 15 January 2007G and amended on 14 May 2007G, 04 June 2007G and 20 June 2009G	
Overview	Marafiq Water and Power Supply Company ("**Tawreed**") (as the Buyer) entered into an energy and water purchase agreement dated 15/01/2007G with SGA Marafiq Holdings WLL (as the Seller) in connection with the construction and development of a new power generation and seawater desalination plant in Jubail Industrial City (the "**Plant**"). The agreement was amended on 14/05/2007G and was transferred and assigned by SGA Marafiq Holdings WLL to Jubail Water and Power Company ("**JWAP**") on 14/05/2007G. In addition, the Agreement was amended on 04/06/2007G and on 20/06/2009G (the "**Agreement**").
Term and Renewal	The Agreement is valid for a period of twenty (20) years from the project's commercial operation date (i.e., 28/10/2010G).
Termination of the Agreement	Either party may terminate the Agreement in certain circumstances by providing notice to the other party as specified in the Agreement. These circumstances include: 1- Termination due to default or breach shall be with a prior notice of at least 60 days in all cases, except in those where Tawreed is unable to provide JWAP with the necessary information provided for in the Agreement, based on which JWAP will issue periodic invoices to Tawreed. The notification period in such cases shall be 30 days. 2- Termination as a result of a continuous force majeure situation preventing Tawreed and JWAP from fulfilling their obligations under the Agreement for 180 days and 365 consecutive days, respectively. In the event of termination, the following shall apply to the Plant: 1- If the termination is the result of a default or breach by JWAP, Tawreed may terminate the Agreement and purchase the Plant by providing JWAP with written notice. 2- If the termination is the result of Tawreed's default or breach, JWAP may terminate the Agreement and sell the Plant to Tawreed under the terms and conditions specified in the Agreement.
Key Obligations	1- Tawreed has a number of obligations under the Agreement, which include: a- Purchase of available quantities of water and electricity from JWAP as agreed upon in the Agreement. b- Payment of the agreed amounts to JWAP for the available quantities of water and electricity. 2- JWAP has a number of obligations under the Agreement, which include: a- Operating and maintaining the Plant and adhering to the standards set out in the Agreement. b- Providing Tawreed with the agreed-upon amounts of water and electricity in accordance with the specifications outlined in the Agreement. c- Obtaining the necessary insurance coverage in accordance with the Agreement.
Liability and Indemnity	With the exception of certain cases specified in the Agreement, each party shall indemnify the other party for any losses, claims, damage or compensation claimed by any third party if such losses, claims, damage or compensation result from the breaching party's gross negligence or willful misconduct, failure to fulfill any of its obligations under the Agreement or non-compliance with the laws and regulations stipulated in the Agreement.
Value of Agreement	The required amounts are determined in accordance with the tables attached to the Agreement. The total amount of payments made by Tawreed for the financial year ended 31 December 2021G under this Agreement amounted to SAR 1,721,985,657.
Payment Mechanism	Tawreed shall be required to provide JWAP with the necessary information stipulated in the Agreement within two business days, based on which JWAP will issue periodic invoices to Tawreed in accordance with the terms agreed upon in the Agreement for any amounts owed to JWAP. Tawreed shall be obliged to pay the value of these invoices within no more than thirty (30) days from the receipt of the invoice.
Assignment and Subcontracting	Except for JWAP's right to assign any of its rights or obligations under the Agreement to any of its financing party, or to any third party representing any such financing party pursuant to any financing agreement between them, neither party shall have the right to sell, assign or transfer any of its rights or obligations under the Agreement without the prior written consent of the other party.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws of England. Any dispute arising out of it shall be settled amicably or with the assistance of experts. If such a dispute is not settled within fourteen (14) days, recourse shall be made to arbitration in accordance with the arbitration rules issued by the United Nations Commission on International Trade Law.

Table (12.12): Sales Gas Supply Agreement between Tawreed and Saudi Arabian Oil Company (Saudi Aramco) dated 08/07/1441H (corresponding to 03/03/2020G)

Sales Gas Supply Agreement between Tawreed and Saudi Arabian Oil Company (Saudi Aramco) dated 08/07/1441H (corresponding to 03/03/2020G)	
Agreement Overview	The Sales Gas Supply Agreement was entered into between Tawreed (as the Buyer) and the Saudi Arabian Oil Company (Saudi Aramco) ("**Aramco**") (as the Seller) on 08/07/1441H (corresponding to 03/03/2020G), whereby Aramco is obliged to supply Tawreed with sales gas for Jubail IWPP Plant in Jubail Industrial City (the "**Plant**") (the "**Agreement**").
Agreement Term and Renewal Mechanism	The Agreement shall be valid from 08/07/1441H (corresponding to 03/03/2020G) until 13/07/1450H (corresponding to 30/11/2028G).
Termination of the Agreement	1- Either party may terminate this Agreement by providing a written notice to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party. 2- Aramco has the right to stop the delivery of sales gas and terminate the Agreement upon the expiration of the Operation and Maintenance Agreement between Aramco and Tawreed entered into on 2 January 2010G. The operation and maintenance to the custody transfer meter for the measurement of sales gas agreement also expires at the end of this Agreement.
Key Obligations	1- Tawreed has a number of obligations under the Agreement, including, but not limited to, the following: a- Submission of a written report to Aramco at least one month before the start of each year outlining the expected annual requirements, including the estimated daily demand rate and maximum demand for sales gas. Aramco shall confirm its ability to supply the quantities of sales gas specified in this Agreement to Tawreed within thirty (30) days of receipt of said report. b- Provide Aramco with a bank guarantee from an Aramco-accepted Saudi bank equal to the value of the sales gas quantities expected to be consumed for a period of 75 days, 6 months prior to the start of the project. Such guarantee must be valid for at least a full year and be automatically renewed. c- The sales gas sold under the Agreement may only be used as fuel at the Plant and may not be exported or transferred by Tawreed to a third party without Aramco's written consent. 2- Aramco shall be obliged to sell the quantities of sales gas outlined in the Agreement, subject to availability. 3- Aramco has the right to amend the declared specifications of sales gas from time to time, and it is obliged to notify Tawreed of any amendments made to the specifications at least twelve (12) months before the supply and delivery of the sales gas conforming to those amended specifications.
Liability and Indemnity	1- Aramco will do its utmost to deliver the sales gas to Tawreed in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of sales gas to Tawreed according to the specifications described in the Agreement. 2- Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.
Value of Agreement	The value of the Agreement shall be determined by the prevailing local market price of sales gas, which at the time of the Agreement's conclusion was one dollar and twenty-five cents per million British thermal units (USD 1.25/1,000,000 Btus), excluding taxes and fees imposed by the Saudi Government (the "**Prevailing Local Market Price**"), and Aramco shall be required to notify Tawreed of any changes to the prevailing local market price. The total amounts of payments made by Tawreed for the financial year ended 31 December 2021G under this Agreement amounted to SAR 1,069,756,453.
Payment Mechanism	1- Aramco shall provide Tawreed with a monthly invoice for the amounts due for the quantities of sales gas delivered during the previous month, and Tawreed shall pay these invoices within forty-five (45) days from the end of the month in which the sale was made. Tawreed shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Tawreed 's failure to fulfill its obligations in this regard. 2- Aramco has the right to suspend the delivery of sales gas if Tawreed breaches any of the payment terms within 60 days upon receiving notice from Aramco to take corrective actions.
Assignment and Subcontracting	Tawreed may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom's arbitration regulations.

Table (12.13): O&M Agreement between Marafiq, Société Internationale de Dessalement and Sidem Saudi dated 03/08/1434H (corresponding to 12/06/2013G)

O&M agreement between Marafiq, Société Internationale de Dessalement and Sidem Saudi dated 03/08/1434H (corresponding to 12/06/2013G)	
Overview	An O&M agreement was entered into between Marafiq (as the Owner), Société Internationale de Dessalement and Sidem Saudi (collectively referred to as the "**Operator**") on 03/08/1434H (corresponding to 12/06/2013G), and it was amended on 07/04/2015G, 15/12/2016G and 07/05/2019G. Marafiq entered into an industrial water supply agreement with Sadara Chemical Company ("**Sadara**") on 19/11/2012G (for further details, please refer to Table 12.7 ("**Industrial Water Supply Agreement Between Marafiq and Sadara Chemical Company dated 19/11/2012G and amended on 15/03/2015G and 03/02/2019G**") (the "**Industrial Water Supply Agreement**"), accordingly, Marafiq concluded this agreement whereby the Operator shall design, procure, construct, operate and maintain the industrial water production facilities at Marafiq SWRO plant (the "**Plant**") located in Sadara integrated chemical complex in Jubail Industrial City, on behalf of Marafiq (the "**Agreement**").
Term and Renewal	The Agreement is effective from 03/08/1434H (corresponding to 12/06/2013G), and it expires ten (10) years after the commercial operation date (i.e., on 02/03/1438H (corresponding to 01/12/2016G). Marafiq has the right to renew the agreement for a period of 5 years upon giving at least 6 months advance notice to the Operator.
Termination of the Agreement	1- Either party may terminate the Agreement in certain circumstances by providing notice to the other party as specified in the Agreement. These circumstances include: a- Termination due to default or breach be with a prior notice of at least 30 days, or 120 days if the Operator defaults in its obligations in relation to the Plant and the water supplied, unless the default on the part of the Operator is due to a violation committed by Marafiq or a force majeure event. b- Termination as a result of material loss sustained by the Plant due to damage caused to its assets, unless Marafiq pays a fixed sum for operation and maintenance based on the deemed capacity until the plant is re-operated and the agreed performance level is achieved. c- Termination by Marafiq at its sole discretion. d- Termination as a result of excess in costs beyond the control of the parties, where Marafiq is entitled to terminate the Agreement if both parties fail to reach an agreement to address the increasing costs within 60 days (or any other period agreed upon by both parties). 2- In the event of termination, the Operator shall provide Marafiq with a plan to transfer the services set out in the Agreement to Marafiq or to any other affiliated operator, within no less than one year after the expiry of the Agreement. 3- In the event of early termination of the Industrial Water Supply Agreement as a result of a breach committed by the Operator, the Operator shall pay to Marafiq (upon receiving a notice from Marafiq) the additional sum remaining from the difference between the loss incurred by Marafiq as a result of the early termination in addition to the prescribed compensation and other termination costs.
Key Obligations	1- Marafiq has a number of obligations under the Agreement, including the following: a- Providing the Operator with electric power at the interface point and the sea water required to operate and maintain the Plant during the commercial operation period, at its own expense, to produce and supply the industrial water to Sadara Company. b- Guaranteeing that Sadara has obtained all insurance coverage at the agreed minimum limit. 2- The Operator has many obligations under the Agreement, including: a- Supplying industrial water to Sadara in accordance with the agreed specifications, and providing facilities to Marafiq to supply the alternative water and have it delivered by the Operator to Sadara on behalf of Marafiq at the agreed point of delivery. b- Making efforts to provide industrial water in excess of the agreed amount during the normal or peak demand periods upon the request of Marafiq. c- The Operator shall comply with the environmental regulations issued by the Royal Commission, other environmental regulations, and the applicable safety requirements. 3- The Agreement sets out Operator events of default, including, for example, but not limited to: a- Failure by the Operator to pay the agreed compensation or any other sums under the Agreement within 90 days of the due date. b- The Operator abandoning the operation of the plant or provision of the quantities required under the Agreement during the commercial operation period, except in the event of violation by Marafiq. c- Failure by the Operator to perform the capacity tests requested by Marafiq in the specified periods as provided in the Agreement. 4- If Marafiq fails to pay the sum due to the Operator within 120 days of the due date, it will be deemed to have breached the Agreement.

O&M agreement between Marafiq, Société Internationale de Dessalement and Sidem Saudi dated 03/08/1434H (corresponding to 12/06/2013G)	
Liability and Indemnity	1- The Operator is required to compensate Marafiq or Sadara for any loss incurred due to non compliance of the wastewater delivered to Sadara with the specifications and conditions set out in the Agreement, except where the loss results from negligence or failure by Marafiq or Sadara. In all cases, the liability of the Operator may not exceed SAR 187,500 per event and SAR 375,000 per annum. 2- The Operator shall pay the agreed compensation based on the formula set out in the Agreement in the event of failure to supply the water, provided that the total value does not exceed the maximum limit agreed upon in the Agreement. 3- Each party shall indemnify the other party for any claims or legal actions initiated by third parties against the other party or Sadara, which arise from negligence or willful acts or violations of the Agreement or the laws governing the Agreement. 4- Under the Agreement, Société Internationale de Dessalement and Sidem Saudi, referred to as the Operator, will be jointly and severally liable.
Value of Agreement	1- Marafiq shall pay the total amounts for each payment term in accordance with the agreed mechanism and tariff. 2- The total amount of payments received by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 47,096,401.
Payment Mechanism	Within 10 days after the end of the invoice payment period, the Operator shall provide Marafiq with an invoice containing the total payments due in SAR, and Marafiq shall pay the invoice within a period not exceeding 45 days.
Assignment and Subcontracting	1- Either party shall be entitled to assign or transfer any of their rights or obligations under the Agreement to any third party. Assignment by the Operator shall be subject to the prior written consent of Marafiq. 2- The Operator may not lease the early filling services, subcontract the operation or change the subtenant without the prior written consent of Marafiq.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia. Any dispute that arises from the Agreement shall be settled amicably. In the event of a failure to resolve the dispute amicably within thirty (30) days after the dispute arises, it shall be referred to arbitration under the arbitration rules issued by the International Chamber of Commerce.

Table (12.14): Transmission System Use Agreement relating to JCPDI between Marafiq and National Grid SA dated 01/01/2021G

Transmission System Use Agreement relating to JCPDI between Marafiq and National Grid SA dated 01/01/2021G	
Overview	Marafiq entered into an agreement for the use of the National Grid SA transmission system on 01/01/2021G with National Grid SA, whereby Marafiq shall use the transmission system of National Grid SA to transfer electricity to JCPDI.
Term and Renewal	This agreement is effective from 01/01/2021G for a period of one Gregorian year and automatically renews unless one party gives the other party at least 90 days advance written notice of its desire not to renew.
Key Obligations	1- The National Grid SA digital meter readings shall be used to calculate loads and output at all points of interface between the Marafiq and National Grid SA grids. 2- Marafiq shall pay a financial consideration to National Grid SA for using its transmission system. The consideration shall be determined by the Water and Electricity Regulatory Authority on an annual basis in the detailed statement of the costs of using the transmission system, based on the average of the highest hourly loads throughout the year per location affiliated to Marafiq, provided that there is an interval of no less than 7 days between the registered loads. 3- The parties shall abide by the Saudi Arabian Grid Code (SAGC).
Liability and Indemnity	1- Neither party shall be liable to the other except within the scope of their respective obligations as expressly stated in the agreement. 2- The parties agreed to make reasonable efforts so that the insurance companies of both parties assign the subrogation right related to any relevant compensation claims mentioned in the Agreement. 3- Marafiq coordinates with National Grid SA and the respective customers to pay the value of the primary meters and to confirm such if they are provided by National Grid SA. 4- Liability and indemnity do not apply on any claims, lawsuits, loss or expenses related to: (1) gross negligence, willful acts, deliberate violation of the Agreement or fraudulent acts related to the party being compensated; (2) breach of the Agreement or negligence by the compensating party; and (3) any indirect damage.
Value of Agreement	Marafiq is required to pay approximately SAR 20 million every year for using the transmission system in accordance with the mechanism set out in the Agreement.

Transmission System Use Agreement relating to JCPDI between Marafiq and National Grid SA dated 01/01/2021G	
Payment Mechanism	1- On the 31st of every month, National Grid SA shall submit the annual invoice to Marafiq which is paid in monthly installments in consideration for utilizing the transmission system based on the estimated load approved by the parties for the overall loads consumed by Marafiq sites, under a detailed annual statement issued by the Water and Electricity Regulatory Authority after adding the VAT. 2- Marafiq shall pay the invoices issued by National Grid SA within 30 days after receiving the invoices.
Governing Law	1- The Agreement is governed by the laws applicable in the Kingdom of Saudi Arabia, and any dispute that arises therefrom shall be settled amicably within 90 days after the date of notice to the respective party. In the event of a failure to reach an amicable settlement, both parties, jointly or severally, may file a complaint with the Water and Electricity Regulatory Authority. 2- In the event that both or one of the parties do not accept the decision made by the Water and Electricity Regulatory Authority, the dispute shall be referred to the Electricity Industry Dispute Resolution Committee for resolution. In the event that either party does not accept the Committee's decision, they shall be entitled to appeal the Committee's decision before the Board of Grievances.

Table (12.15): Operation and Maintenance of Water and Wastewater System Agreement between Marafiq and Miahona Company dated 09/09/1442H (corresponding to 21/04/2021G)

Operation and Maintenance of Water and Wastewater System Agreement between Marafiq and Miahona Company dated 09/09/1442H (corresponding to 21/04/2021G)	
Overview	The Operation and Maintenance of Water and Wastewater System Agreement was entered into between Marafiq and Miahona Company (as the Contractor) on 09/09/1442H (corresponding to 21/04/2021G) in JCPDI.
Term and Renewal	The Agreement entered into force on 28/11/2021G and is valid for (3) years.
Termination of the Agreement	Marafiq may terminate the Agreement in certain events, including, for example, but not limited to: 1- Termination as a result of the Contractor defaulting on any of their obligations in relation to the laws and resolutions in force, or any of the personnel, plant, or safety rules, or other applicable laws and rules which are set out in the Agreement, whether deliberately or negligently. 2- Termination as a result of a conflict of interest between the contractor and Marafiq where the Contractor failed to report such to Marafiq. 3- Termination as a result of the Contractor abandoning the works or breaching the Agreement by assigning it or subcontracting without the prior written consent of Marafiq or as a result of the bankruptcy of the Contractor if no corrective action is taken within 15 days after receiving a notice. 4- Termination at any time at the sole discretion of Marafiq upon giving written notice to the Contractor.
Key Obligations	1- The Contractor has many obligations under the Agreement, including, for example, but not limited to: a- Performing the works in accordance with the criteria, quality and practices observed by international companies delivering similar services, and complying with the laws, regulations and rules related to personnel, plants and safety rules. b- Obtaining all licenses, permits and approvals necessary to execute the Agreement, paying all associated fees and helping Marafiq in obtaining the same, if they must be obtained in Marafiq's name. c- Not making any changes in relation to the works or the site without the prior written consent of Marafiq. d- Obtaining all the agreed insurance coverage, in addition to the insurance certificate, in the form set out in the Agreement. e- Presenting a certificate of indemnity and discharge from payment in the form set out in the Agreement, and a performance bond within 7 days after the Agreement enters into force. 2- Marafiq has a number of rights under the Agreement, including, for example, but not limited to: a- Rejecting any work it deems reasonably unsatisfactory or incompatible with the terms of the Agreement. Such work shall be rectified or replaced at the Contractor's expense. If the work is not rectifiable, Marafiq may deduct the value thereof. b- Retaining (10%) of the value of the agreement and not submitting the same unless Marafiq issues a certificate of initial approval of the implementation, submits the final invoice to the Contractor and receives a valid and unrestricted Zakat certificate.

Operation and Maintenance of Water and Wastewater System Agreement between Marafiq and Miahona Company dated 09/09/1442H (corresponding to 21/04/2021G)	
Liability and Indemnity	1- The Agreement sets forth the responsibilities of the Contractor, which include, for example, but not limited to, compensating Marafiq for all losses in respect of the injuries, claims or costs, whether before or after implementing the works, arising from the Contractor's noncompliance with the agreement. It also includes cases of death, except when caused by Marafiq's negligence or willful act to the extent that it cannot be mitigated by the Contractor. Furthermore, neither party shall be liable for any collateral damage. 2- The Contractor shall guarantee any work it performs by itself or through any of its suppliers or subcontractors for (12) months after the completion of the works. 3- In the event the Contractor fails to complete the works under the Agreement, or fails to adhere to its terms and no corrective action has been taken within (7) days after receiving a formal notice of non-compliance, the Contractor shall pay a weekly penalty of (2%) of the value of the Agreement, provided that the deducted percentage does not exceed (10%) of the value of the Agreement, except in cases of non-compliance. 4- Marafiq shall be entitled to make deductions from the sums payable to the Contractor, in whole or in part, as a result of specific events, including any claims by Marafiq or a third party against the Contractor, or the deduction of any sums from Marafiq by Government agencies in the Kingdom of Saudi Arabia under the law.
Value of Agreement	1- Marafiq shall pay the sums agreed upon in the Agreement to the Contractor in exchange for its services, and they shall be based on the prices set out in the Agreement. 2- The total maximum value of the agreement is SAR 100,000,000 throughout the whole term. 3- Marafiq may further make any changes to the Agreement that would cause an increase of up to (10%) or a decrease of up to (20%) of its total original value, provided that the value of the additional works do not exceed the sum allocated for the project.
Payment Mechanism	The Contractor's fees shall be paid within 60 days after receiving each invoice.
Assignment and Subcontracting	1- The Contractor may not assign the Agreement, or subcontract it to another contractor or supplier, without the prior written consent of Marafiq. 2- The Contractor and its subcontractors shall follow the incident reporting procedures set out in the Agreement within a period not exceeding 24 hours from the occurrence.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws applicable in the Kingdom of Saudi Arabia. Both parties shall take the necessary actions to resolve any dispute amicably. Where amicable resolution is not possible, the dispute shall be referred to the competent courts in the Kingdom of Saudi Arabia.

Table (12.16): Jeddah Airport 2 Independent Sewage Treatment Plant Project Sewage Treatment Agreement between Saudi Water Partnership Company (SWPC) and Jeddah Althaniya Water Company (Jeddah Project Company)

Jeddah Airport 2 Independent Sewage Treatment Plant Project Sewage Treatment Agreement between Saudi Water Partnership Company (SWPC) and Jeddah Althaniya Water Company (Jeddah Project Company)	
Overview	The agreement is in respect of the development, financing, design, engineering, procurement, manufacture, factory testing, transportation, construction, installation, equipping, completion, testing, commissioning, insurance, ownership, operation and maintenance of the sewage treatment plant (and any expansions thereof) (the "**Plant**") by Jeddah Project Company for the purposes of making available to SWPC the available influent treatment capacity, the sale and purchase of the total Plant output and all activities relating to any of the foregoing. The Agreement was originally entered into with SWPC and a consortium comprised of Marafiq, Veolia Middle East and Alamwal Alkhaleejiah Althaniya on 25 February 2019G and subsequently novated to the Project Company on 18 December 2019G. The agreement was then amended by way of an amendment agreement between SWPC and Jeddah Project Company dated 03 September 2020G.
Term and Renewal	The term of the Agreement commences on 25 February 2019G and expires on the 25th anniversary of the earlier of the project's commercial operation date and any deemed project commercial operation date (as may occur in accordance with the Agreement) unless extended or terminated earlier in accordance with the provisions of the Agreement. The project's commercial operation date is expected to be on 31 January 2023G. The term may be extended for an additional period based on the Agreement of the parties. However, SWPC may extend the term if it exercises its right to request an expansion of the project in accordance with the Agreement.

Jeddah Airport 2 Independent Sewage Treatment Plant Project Sewage Treatment Agreement between Saudi Water Partnership Company (SWPC) and Jeddah Althaniya Water Company (Jeddah Project Company)	
Termination of the Agreement	The Agreement includes several termination events, including, without limitation, the following: 1- Jeddah Project Company Events of Default: a- failure by Jeddah Project Company to achieve the commercial operation dates on or before the agreed deadlines; b- the available influent treatment capacity is below eighty-five percent (85%) of the guaranteed influent treatment capacity for any period of twelve (12) consecutive months (except for specific cases such as excess influent or polluted influent); c- failure by Jeddah Project Company to deliver treated water in accordance with the Agreement for a specified period of time in accordance with the Agreement; d- failure by Jeddah Project Company to commence carrying out an availability test as required under the Agreement; and e- termination of the Sewage Interconnection Agreement as a result of a default by Jeddah Project Company. 2- SWPC Events of Default a- failure by SWPC to pay any undisputed payment amounts within sixty (60) days from the due date thereof, provided that a claim has first been made by Jeddah Project Company and remains outstanding for not less than thirty (30) days from the date of such claim; b- failure by SWPC to make any undisputed payment under this Agreement, other than a Capacity Payment or an Output Payment, within ninety (90) days from the due date thereof; c- the expropriation, nationalization or compulsory acquisition of the Site, the Plant, any material asset of Jeddah Project Company or any shares or other interest (direct or indirect) of shareholders in Jeddah Project Company by any competent authority; d- termination of Jeddah Project Company's electricity supply arrangements with SEC in respect of the Plant other than as a result of a default of Jeddah Project Company in relation to such arrangements; e- termination of the Sewage Interconnection Agreement other than as a result of a default by Jeddah Project Company; and f- in the event that any of the material provisions of the Agreement become unenforceable pursuant to a final decision of the arbitrators. 3- Depending on the reason for termination, SWPC may be obliged to acquire the project at an agreed value as set out in the Agreement. 4- Jeddah Project Company shall have the right to terminate this Agreement if certain force majeure events occur which prevent SWPC from performing any of its obligations under this Agreement for a continuous period of three hundred and sixty-five (365) days, provided that, if SWPC elects in such event to continue paying the capacity payments in accordance with the Agreement beyond such period, Jeddah Project Company shall not have the right to terminate this Agreement. 5- SWPC shall have the right to terminate this Agreement upon the occurrence of certain other events, including a force majeure event that prevents it or Jeddah Project Company from performing any of its obligations under this Agreement for a continuous period of three hundred and sixty-five (365) days, and a change in law event or other risk events contemplated in the Agreement which results in SWPC incurring increased costs as stipulated in the Agreement. 6- Either party shall have the right to terminate this Agreement if it is agreed, or determined, that the Plant cannot be rebuilt, repaired and/or restored after an event of loss pursuant the provisions of the Agreement.
Key Obligations	The key obligations of Jeddah Project Company include the following: 1- delivering the required bank guarantees; 2- obtaining the necessary approvals and licenses to carry out its services; and 3- after the commencement of the operation period, treating the sewage wastewater in accordance with the specifications and quantities set out in the Agreement. The key obligations of SWPC include the following: 1- making the project site available so that Jeddah Project Company can carry out its duties; 2- delivering the sewage wastewater at the delivery points agreed in the Agreement; and 3- making the required payments to Jeddah Project Company in accordance with the Agreement.

Jeddah Airport 2 Independent Sewage Treatment Plant Project Sewage Treatment Agreement between Saudi Water Partnership Company (SWPC) and Jeddah Althaniya Water Company (Jeddah Project Company)	
Liability and Indemnity	1- Notwithstanding any other liability of the parties set out in elsewhere in the Agreement, Jeddah Project Company will be liable to pay SWPC liquidated damages upon the occurrence of certain events, including delay or abandonment or environmental breaches. 2- Jeddah Project Company shall indemnify SWPC from and against all claims made against or suffered by SWPC: (a) in relation to any loss of or damage to property or death or injury to persons, resulting from any negligent act or omission of Jeddah Project Company or that arises out of or is in any manner connected with the performance of the Agreement, except to the extent that such loss, damage, injury or death is attributable to the negligence or misconduct of SWPC, the breach of this Agreement by SWPC or the failure of SWPC to take reasonable steps in mitigation of the foregoing; (b) in relation to the violation of any environmental legal requirements by Jeddah Project Company occurring at the project site, or in any way related to the Plant, except to the extent that such claim is determined to result from or arise out of (i) a pre-existing condition of the project site, or (ii) any discharge, release or leaching of any hazardous substance on, in, over, under or otherwise affecting the project site caused by a person other than Jeddah Project Company; and (c) under any legal requirements arising out of Jeddah Project Company's design, construction, testing, commissioning, operation or maintenance of the Plant. 3- SWPC shall indemnify Jeddah Project Company from and against all claims made against or suffered by Jeddah Project Company in relation to any loss of or damage to property or death or injury to persons resulting from any negligent act or omission of SWPC or otherwise that arises out of or is in any manner connected with the performance of the Agreement, except to the extent such loss, damage, injury or death is attributable to the negligence or misconduct of Jeddah Project Company, breach of the Agreement by Jeddah Project Company or the failure of Jeddah Project Company to take reasonable steps in mitigation of the foregoing.
Value of Agreement	SAR 2,375,490,374.
Payment Mechanism	In consideration for Jeddah Project Company delivering the project, SWPC is obliged to pay the relevant amounts and charges set out in the Agreement as invoiced on a monthly basis by Jeddah Project Company in accordance with the Agreement.
Assignment and Subcontracting	Neither party shall be entitled to assign or transfer its rights or obligations under this Agreement without the prior written consent of the other party. Jeddah Project Company shall have the right to assign its rights under the Agreement to any financing parties or to any third-party security agent or trustee nominated by the financing parties.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws of England and Wales. Any disputes arising in connection with the Agreement shall first be discussed between the parties to reach an amicable resolution. If no resolution is reached within thirty (30) days, then the parties will refer the matter to arbitration (subject to the requirement to refer it to an independent expert in certain cases) in accordance with the Agreement.

Table (12.17): Replacement of Asbestos Cement (AC) Potable Water Mains I–n The Industrial Zone Agreement - Jubail Industrial City

Replacement of Asbestos Cement (AC) Potable Water Mains in the Industrial Zone Agreement - Jubail Industrial City	
Contract Signing Date	29 September 2019G.
Project Owner	Power and Water Utility Company for Jubail and Yanbu.
Contractor	Branch of the Egyptian Petroleum Project Ltd.
Work Type	The Contractor shall replace the Asbestos Cement (AC) Potable Water Mains pipelines located in the industrial zone - Jubail Industrial City with new pipelines made of approved materials in the same vertical and longitudinal lines.
Contract Value	SAR 220,493,594 (including VAT).
Work Commencement Date	The date when the Project Owner issues notice to the Contractor to commence the works ("**Commencement Notice**"), i.e., 17 November 2019G.
Implementation Period and Extensions	The original implementation period is twenty-four (24) Gregorian months, commencing from the date specified by Marafiq in the Commencement Notice. However, the implementation period was extended under change order No. 2 dated 11 November 2021G. Accordingly, the completion date has become 16 May 2022G[22], to take into account all the effects on the project schedule until December 2020G, including the impacts of COVID-19 and the resulting lockdowns and restrictions.
Governing Law	The laws of the Kingdom of Saudi Arabia, and all related regulations, decrees and orders.
Termination	**Termination by the Project Owner:** The Project Owner has the right to terminate the contract in the following cases: 1- In the event that the Contractor abandons the works, or any part thereof, or if the works, or any part thereof, are transferred or subcontracted without the Project Owner's approval. 2- In the event that the Project Owner believes that the Contractor did not adhere to the work schedule, breached any of the terms of the Contract, refrained from or failed in implementing any part of the works correctly with ill intention or in violation of the provisions of the Contract, and this is not rectified within fifteen (15) days after the Contractor receives a written notice to that effect from the Project Owner, or if the Contractor cannot present evidence to prove its efforts to address the violation during said period, then the Project Owner will have the right to take all the following actions: a- Retain all the sums payable to the Contractor by the Project Owner under this Contract. b- Directly pay all the amounts due to the subcontractors which should have been paid by the– Contractor. c- Terminate the Contract - in which case, the Project Owner has the right to: • Confiscate all equipment, devices and tools that have been used by the Contractor to execute the Contract. • Proceed with the implementation of the Contract by contracting any other principal contractor, or by any other way that the Project Owner deems proper to complete the contract. 3- In the event that the Contractor becomes bankrupt, or goes through a similar process, if it becomes unable to meet its due financial obligations or the entitlements of its employees or if a liquidator or a bankruptcy trustee is appointed to control the conduct of its business. The Project Owner has the right to terminate the Contract, or certain parts thereof, at any time and without having to provide any justification, subject to notifying the Contractor of the termination in writing and specifying the termination effective date by the Project Owner. In this case, the Contractor has the right to receive any sums due for the works completed until the termination date. **Termination by the Contractor:** The Contractor's right to terminate the contract was not indicated.
Additional Documents	1- Change order No. 1 dated 11 March 2020G determining and adding an advance payment for the Contract entered into between the Contractor and the Project Owner. 2- Change order No. 2 dated 11 November 2021G extending the work implementation period, whereby the work completion date has become 16 May 2022G.

22 The company and the Contractor are currently working on extending the work implementation period, and to that end, they are completing the necessary studies and procedures.

Table (12.18): Design, Supply and Construction Contract of a sewage treatment plant in Jeddah (A2)

Design, Supply and Construction Contract of a sewage treatment plant in Jeddah (A2)	
Contract Signing Date	16 July 2020G.
Project Owner	Jeddah Althaniya Water Company.
Contractor	Saudi Services for Electro Mechanic Works (SSEM).
Work Type	The Contractor shall undertake the design, engineering, procurement, manufacturing, testing, transport, building, construction, installation and preparation of the wastewater treatment plant in Jeddah.
Contract Value	USD 180,500,000 (the equivalent of SAR 676,875,000 based on the exchange rate agreed upon in the Contract of USD 1 = SAR 3.75) (VAT exclusive).
Work Commencement Date	The work commencement date shall be after all the following: 1- Financial closure. 2- Satisfaction (or permanent waiver) of all prerequisites. 3- Receipt (or waiver) by the Project Owner – in the form that satisfies it – of all the following items: a- Copies of the constitutive/business documents of the Contractor, which should be effective and valid. b- Copies of the Contractor's licenses, certificates and permits, which must be obtained by the work commencement date, and which authorize the Contractor to perform its obligations under this Contract. c- A certified copy of the Contractor's balance sheet equation and its latest audited financial statements (prepared in accordance with the International Financial Reporting Standards (IFRS), the Generally Accepted Accounting Principles (GAAP) or the Saudi Accounting Standards). d- Copies of the resolutions, powers of attorney or any other authorization documents endorsed by the Contractor's board of directors or partners/shareholders, which authorize/approve the execution and signing of this Contract and list the names of the person(s) who have the right to sign on behalf of the Contractor. These documents must be valid and effective, and not have been subject to modification, revocation or suspension. e- Insurance policies, or a document signed by any person authorized by the Contractor, stating to the satisfaction of the Project Owner that the insurance policies required under the Contract will be valid and effective throughout the required term. f- A legal opinion issued by an external consultant affirming that the Contractor has the competency and capacity to conclude this Contract. This opinion should be consistent with the international project funding practices, and reasonably acceptable by the Project Owner. g- A signed copy of the Engineering, Procurement and Construction (EPC) direct agreement. h- A signed original copy of the performance bond, parent company guarantee and local content certificate. i- A copy of the constitutional/business documents of the owner/ultimate owners of the Contractor (that will issue the parent company guarantee) ("**Guarantors**"), which should be effective and valid. j- Copies of the resolutions, powers of attorney or any other authorization documents endorsed by the board of directors of each Guarantor, authorizing/approving the execution and signing of the parent company guarantee, and listing the names of the person(s) who have the right to sign on the behalf of the Guarantors on the parent company guarantee. These documents must be valid and effective, and not have been subject to modification, revocation or suspension. k- A legal opinion issued by an external consultant affirming that all the Guarantors have the competency and capacity to conclude this Contract. This opinion should be consistent with the international project funding practices, and reasonably acceptable by the Project Owner. l- A certified copy of the audited financial statements of each Guarantor.
Date of Completion of Works	30 months from the work commencement date.
Governing Law	The laws of England and Wales.
Termination	**Termination by the Project Owner:** a- The Project Owner has the right to terminate the Contract upon giving 14 days' notice to the Contractor in the following cases: 1- If the Contractor fails to comply with the provisions of the performance bond in the Contract, or the notice to rectify any breach thereof. 2- If the Contractor abandons the works, or clearly demonstrates its intention to discontinue fulfilling its obligations under the Contract. 3- If the Contractor fails to continue performing the Contract works without an acceptable excuse. 4- If the Contractor subcontracts all the works or transfers the Contract without the written consent of the Project Owner.

Design, Supply and Construction Contract of a sewage treatment plant in Jeddah (A2)	
Termination	b- The Project Owner further has the right to terminate the Contract with immediate effect upon giving notice to the Contractor in the following cases: 1- If the Contractor becomes bankrupt, or goes through a similar process. 2- If the Contractor gives or offers to give (directly or indirectly) to any person any bribe, gift, tip, commission or any other valuable item as an enticement or a reward. 3- If the Contractor defaults on its obligations under the Contract in connection with refraining from any practices that entail corruption or fraud. 4- If the Contractor becomes liable to pay delay penalties regarding the Contract in an amount exceeding the maximum amount allowed for delay penalties (15% of the Contract total value pursuant to the terms of the Contract). 5- If the limit of liability applicable to the Contractor is exceeded in accordance with the provisions of the Contract. 6- If works are not completed within 120 days after the agreed completion date (including success in all the completion tests). 7- If the Contractor fails – substantially – in performing their obligations under the Contract. 8- If any act (or failure to act) by the Contractor gives rise to any of the Project Owner Events of Default pursuant to the wastewater treatment agreement dated 25 February 2019G, however, this does not include any of the SWPC risk or breach events set out in the wastewater treatment agreement dated 25 February 2019G. 9- If the Contractor does not submit the parent company guarantee to the Project Owner by the work commencement date, or if the parent company guarantee is not renewed and activated, in the event that the original guarantee is not effective. c- In addition to the foregoing, the Project Owner has the right to terminate the Contract upon giving notice to the Contractor at any time and without having to provide any justification. The termination shall become effective 28 days after the Contractor receives the notice or the Project Owner refunds the performance bond to the Contractor (whichever is later). It should be noted that the Project Owner has no right to terminate the Contract if the purpose of the termination is to have the works completed by itself or by another contractor. **Termination by the Contractor:** a- The Contractor has the right to terminate the contract upon giving a 30 day notice to the Project Owner in the following cases: 1- If the Contractor does not collect their payments during the periods agreed upon in the Contract and 42 days after giving notice to that effect to the Project Owner (provided that this right shall be limited to payments exceeding USD 250,000). 2- If the Project Owner materially defaults on performing its obligations under the Contract, provided that the Contractor submits a no–ice to the Project Owner–detailing - in a reasonable manner - the respective default, and the planned termination date (provided that the interval between the date of notice and the planned termination date is not less than 45 days, noting that if the Project Owner rectifies the default during this period, the Contractor shall have no right to termination). b- The Contractor has the right to terminate the Contract with immediate effect upon giving notice to the Project Owner in the following cases: 1- If the implementation of work is suspended for more than 84 days and the Contractor submits a request to the Project Owner to resume the implementation of works and it does not receive the Project Owner's approval within 28 days after submitting the request (provided that the suspension affects the implementation of the works as a whole and not just a part thereof). 2- If the Project Owner becomes bankrupt or insolvent, enters into liquidation, has a delivery writ, has an administrative judgment issued against it, settles with its creditors, exercises its business under the supervision of a receiver, trustee or administrator in favor of its creditors or if any act is undertaken (under the applicable laws) that has a similar effect on any of such acts or events.
Additional Documents	1- The Sewage Interconnection Agreement related to the Jeddah Airport 2 Independent Sewage Treatment Plant (Jeddah II ISTP), entered into by a consortium comprised of Marafiq, Veolia Middle East and Alamwal Alkhaleejiah Althaniya on 25 February 2019G (the "**Sewage Interconnection Agreement**"). 2- Agreement for the transfer of the rights and obligations set forth in the Sewage Interconnection Agreement from the consortium of Marafiq, Veolia Middle East, and Alamwal Al Alkhaleejiah to the Project Owner, between the consortium, the Project Owner and the National Water Company on 18 December 2019G. 3- Agreement to amend the Sewage Wastewater Treatment Agreement for the Jeddah Airport 2 Independent Sewage Treatment Plant between Saudi Water Partnership Company SMLLC (SWPC) and Jeddah Althaniya Water Company (Jeddah Project Company) on 03 September 2020G.

Table (12.19): Contract for expansion of Industrial Wastewater Treatment Plant No. 8 (IWTP8), Phase 4 (DBO)

Contract for expansion of Industrial Wastewater Treatment Plant No. 8 (IWTP8), Phase 4 (DBO)	
Contract Signing Date	16 September 2020G.
Project Owner	Power and Water Utility Company for Jubail and Yanbu (Marafiq).
Contractor	Saudi Services for Electro Mechanic Works (SSEM).
Work Type	The Contractor shall perform the engineering, procurement, design, building, commissioning, testing and completion of the industrial wastewater treatment plant (IWTP8 with a capacity of 125,000 m³/day) in Jubail Industrial City. The engineering, procurement, construction, testing and completion works (i.e., the works implemented in accordance with the EPC and DBO annexes) ("**Pre-commissioning**") shall be implemented before starting on the commissioning works (i.e., the O&M works implemented in accordance with the DBO annexes only) ("**Maintenance and Operation**").
Contract Value	1- Pre-commissioning: The value of the EPC works is SAR 757,500,000 maximum ("**Value of Pre-commissioning**"). 2- Maintenance and Operation: The Maintenance and Operation payments are calculated based on fixed and variable operation and maintenance rates (calculated in SAR and cubic meter), in accordance with the mechanism mentioned in the DBO annexes enclosed with the Contract ("**Value of Maintenance and Operation**"), which is expected to be SAR 294,281,250 maximum. All the aforesaid values are inclusive of all the fees and expenses (except VAT). The operation and maintenance rates are fixed and not subject to increase, unless otherwise agreed in writing.
Work Commencement Date	1- Pre-commissioning: The Pre-commissioning start date is the date when the Project Owner issues a notice to start the Pre-commissioning works ("**Pre-commissioning Commencement Notice**"), which is 01 November 2020G. 2- Maintenance and Operation: The Maintenance and Operation implementation period commences from the date of initial acceptance of the Pre-commissioning works in accordance with the mechanism mentioned in the Contract.
Implementation Period and Extensions	1- Pre-commissioning: The Pre-commissioning implementation period is thirty-six (36) months from the date of the Pre-commissioning Commencement Notice ("**Pre-commissioning Implementation Period**"). 2- Maintenance and Operation: The Maintenance and Operation implementation period is five (5) years from the date of the initial acceptance of the Pre-commissioning works in accordance with the mechanism mentioned in the contract ("**Maintenance and Operation Period**"). The Project Owner has the right to extend the original Maintenance and Operation Period upon written notice to the Contractor (to be sent six (6) months before the end of the original Maintenance and Operation Period). The Project Owner also has the right to give written notice to the Contractor to extend the Maintenance and Operation Period again, six (6) months before the end of the extended Maintenance and Operation Period.
Governing Law	The laws of the Kingdom of Saudi Arabia. The Commercial Court shall have jurisdiction.
Termination	**Termination by the Project Owner:** The Project Owner has the right to terminate the Contract in the following cases: 1- In the event that the Contractor abandons the works, or any part thereof, or if the works, or any part thereof, are transferred or subcontracted without the Project Owner's approval. 2- In the event that the Project Owner believes that the Contractor did not adhere to the work schedule, breached any of the terms of the Contract, refrained from or failed in implementing any part of the works correctly with ill intention or in violation of the provisions of the Contract, and this is not rectified within fifteen (15) days after the Contractor receives a written notice to that effect from the Project Owner, or if the Contractor cannot present evidence to prove its efforts to address the violation during said period, then the Project Owner will have the right to take all the following actions: a- Retain all the sums payable to the Contractor by the Project Owner under this Contract. b- Directly pay all the amounts due to the subcontractors which should have been paid by the–Contractor. c- Terminate the Contract - in which case, the Project Owner shall have the right to: 1- Confiscate all equipment, devices and tools that have been used by the Contractor to execute the Contract. 2- Proceed with the implementation of the Contract by contracting any other principal contractor, or by any other way that the Project Owner deems proper to complete the Contract. 3- In the event that the Contractor becomes bankrupt, or goes through a similar process, if it becomes unable to meet its due financial obligations or the entitlements of its employees or if a liquidator or a bankruptcy trustee is appointed to control the conduct of its business. The Project Owner has the right to terminate the Contract, or certain parts thereof, at any time and without having to provide any justification, subject to notifying the Contractor of the termination in writing and specifying the termination effective date by the Project Owner. In this case, the Contractor has the right to receive any sums due for the works completed until the termination date. **Termination by the Contractor:** The Contractor's right to terminate the Contract was not indicated.
Additional Documents	Change order No. 1, dated 30 January 2022G, extending the implementation period under the contract to 31 July 2024G.

12.6.4 Material Agreements with Related Parties

The Company has entered into a number of agreements with numerous Related Parties in relation to its business, which the Company relies on to a great extent to ensure the conduct of its business. These agreements include the lease agreements entered into with the Royal Commission, which are outlined in Section 12.8 ("**Real Estate**"), and the fuel and sales gas supply agreements entered into with the Saudi Arabian Oil Company (Saudi Aramco), which are outlined in this section. The revenues generated from transactions with Related Parties constitute 78% of the Group's total power service revenues, and 77% of the Group's total water service revenues in the past years.

The total value of transactions with Related Parties amounted to SAR 6,267,554,000 as at the end of the financial year 2019G, SAR 5,923,988,000 as at the end of the financial year 2020G, SAR 6,507,077,000 as at the end of the financial year 2021G and SAR 1,507,142,000 as at the three-month period ended 31 March 2022G (revenues generated from transactions with Related Parties amounted to SAR 4,633,756,000 for the financial year ended 31 December 2019G, SAR 4,395,107,000 for the financial year ended 31 December 2020G, SAR 4,985,488,000 for the financial year ended 31 December 2021G and SAR 1,153,945,000 for the three-month period ended 31 March 2022G. Costs of transactions with Related Parties amounted to SAR 1,633,798,000 for the financial year ended 31 December 2019G, SAR 1,528,881,000 for the financial year ended 31 December 2020G, SAR 1,521,589,000 for the financial year ended 31 December 2021G and SAR 353,197,000 for the three-month period ended 31 March 2022G), according to the consolidated financial statements prepared in accordance with the IFRS approved in the Kingdom of Saudi Arabia and other standards and publications approved by SOCPA.

The Company's Board of Directors declares that all contracts and agreements entered into with Related Parties do not contain any preferential terms, and were concluded in a regular and legal manner and based on appropriate and fair arms' length bases. The Directors also acknowledge their compliance with Articles (71) and (72) of the Companies Law and the instructions set out in Article (46) of the CGRs issued by the CMA in relation to the contracts and agreements entered into with Related Parties in which any Director has an interest, where the Company's Extraordinary General Assembly unanimously approved these agreements at its meeting held on 02/02/1444H (corresponding to 29/08/2022G). For more information in relation to such contracts and agreements, please refer to Section 5.6.1 ("**Interests of Directors, Senior Executives and the Secretary in contracts and agreements entered into by the Company and its Subsidiaries**") of this Prospectus.

This section summarizes the agreements concluded with Related Parties that the Company considers to be material, important or likely to influence the decision to invest in the Offer Shares, noting that this summary does not include all the contracts and agreements entered into by the Company with Related Parties, nor does it include all the terms and conditions of each agreement, and it may not be deemed an alternative to the terms and conditions set out in these agreements.

Table (12.20): Shareholders' Agreement in relation to Jubail Water and Power Company (JWAP) between the Power and Water Utility Company for Jubail and Yanbu (Marafiq), the Public Investment Fund, the Saudi Electricity Company and SGA Marafiq Holdings WLL

Shareholders' Agreement in relation to Jubail Water and Power Company (JWAP) between the Power and Water Utility Company for Jubail and Yanbu (Marafiq), the Public Investment Fund, the Saudi Electricity Company and SGA Marafiq Holdings WLL	
Overview	Marafiq, PIF, SEC and SGA Marafiq Holdings WLL ("**SGA**") entered into a shareholders' agreement for Jubail Water and Power Company ("**JWAP**") on 20/12/2006G. As Marafiq holds 30%, PIF 5%, SEC 5%, and SGA Marafiq Holdings WLL 60% of JWAP.
Representations and Warranties	Marafiq and SGA made the customary representations and warranties for such type of agreements.
Indemnity	1- SGA committed to indemnifying Marafiq, PIF and SEC against any loss or expenses any of them incurs as a result of SGA Marafiq Holdings WLL's non-compliance with the provisions of the Agreement or any negligence or failure by the CEO, nominated by SGA Marafiq Holdings WLL, in performing their duties. 2- Marafiq, PIF and SEC each committed to indemnifying SGA against any loss or expenses incurred as a result of their non-compliance with the provisions of the Agreement. 3- Marafiq committed to indemnifying SGA for any loss arising from any negligence or failure by the Chairman, nominated by Marafiq, in performing their duties.
Term and Termination Events	The provisions of the Agreement enter into force from January 2007G until the completion of the project implemented by JWAP, unless it is terminated earlier upon the occurrence of some of the events set forth in the Agreement, including, for example, but not limited to, a shareholder holding all the share capital of JWAP through transferring shares in line with the provisions of the Agreement, the expiry of the lease agreement for the land where the project is built, the dissolution of the project or the liquidation of JWAP. The Agreement further specifies the Events of Default which could cause the violating party to sell or purchase the shares of other shareholders.
Dispute Resolution and Governing Law	The agreement is governed by the laws of the Kingdom of Saudi Arabia. The parties agreed to appoint an expert to review disputes arising between the parties in relation to the Agreement and issue a decision within sixty (60) days after the date of the expert's appointment. If the expert's decision is not issued during the specified period or if a party disagrees with the expert decision, the dispute will be referred to the competent judicial bodies in the Kingdom.

Table (12.21): Power and Water On-Sale Agreement between Marafiq, Tawreed, SEC and SWCC

Power and Water On-Sale Agreement between Marafiq, Tawreed, SEC and SWCC	
Overview	The Power and Water On-Sale Agreement between Marafiq, Tawreed, SEC and SWCC was entered into on 06/04/2009G, and is related to the PWPA between Tawreed and JWAP on 15/01/2007G (please refer to Table 12.11 above to view a summary of this agreement), whereby Tawreed sells power and water purchased from JWAP to Marafiq, SEC and SWCC under the Power and Water On-Sale Agreement in accordance with the following terms: 1- SEC purchases all the power from Tawreed. 2- SWCC purchases five-eighths of the water capacity supplied by Tawreed. 3- Marafiq purchases three-eighths of the water capacity supplied by Tawreed.
Term and Renewal	The agreement entered into force on 06/04/2009G and remains in effect until the expiry or termination of the Power and Water Purchase Agreement entered into between Tawreed and JWAP. Tawreed commits to obtaining the approval of Marafiq, SEC and SWCC before extending the term of the Power and Water Purchase Agreement entered into with JWAP.
Termination of the Agreement	The Agreement expires upon the expiry or termination of the PWPA entered into with JWAP.
Key Obligations	1- Tawreed shall: a- Sell power to SEC. b- Sell five-eighths of the available water capacity to SWCC. c- Sell three-eighths of the available water capacity to Marafiq. 2- In all cases, the amount of power and water to be sold will depend on the amount supplied to Tawreed by JWAP under the PWPA entered into between Tawreed and JWAP. 3- In consideration of such services, SEC, Marafiq and SWCC shall pay the amounts set forth in the invoices submitted by Tawreed in accordance with the provisions of the Agreement. 4- Tawreed commits to not approving the amendment of the PWPA with JWAP or the sales gas supply agreement with Aramco (please refer to Table 12.11 and Table 12.12 above to view a summary of those agreements) without the consent of SEC, Marafiq and/or SWCC (as the case may be) if the amendment would affect its legal liability or payment liability under the Agreement.
Liability and Indemnity	1- Tawreed will not be held liable for any loss, claim, damage or compensation. SEC, Marafiq and SWCC shall individually release Tawreed from the liability arising from any loss, claim or damage in relation to this Agreement or the PWPA concluded with JWAP, except in cases of negligence or misconduct by Tawreed, breach of any of the terms and conditions of the Agreement or failure by Tawreed to mitigate the adverse effect arising from the above. SEC, SWCC and Marafiq shall individually be liable for compensating Tawreed under the Agreement, where SEC, SWCC and Marafiq shall incur 61.764%, 23.897%, and 14.339%, respectively, of the claim amount. 2- Furthermore, each purchaser shall indemnify the other purchasers for any loss incurred as a result of Tawreed's indemnity if this indemnity directly benefits the respective purchaser.
Value of Agreement	1- The sums required shall be specified based on the actual payments and amounts in accordance with the terms and conditions set forth in the Agreement. 2- The total amount of payments collected by Tawreed in the financial year ended 31 December 2021G under this agreement amounted to SAR 2,888,672,486.
Payment Mechanism	SEC, Marafiq and SWCC shall pay sums to Tawreed based on the actual payments and amounts (which should be paid within fifteen (15) days after receiving the invoice issued by Tawreed) in accordance with the terms and conditions set forth in the Agreement.
Assignment and Subcontracting	1- No party has the right to assign their rights or obligations under this Agreement or transfer the same to any party without the prior written consent of the remaining parties. 2- SEC, SWCC and Marafiq each have the right to assign their rights or obligations under this Agreement, or transfer them to a subsidiary thereof, provided that SEC, SWCC or Marafiq (as the case may be) remain jointly responsible with these subsidiaries before Tawreed in relation to any liability or obligations under this Agreement.
Governing Law	This Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia. Any dispute that arises from this Agreement shall be solved amicably. If the dispute is not settled amicably within thirty (30) days after one party notifies the other parties of a dispute regarding this Agreement, any of the parties may refer the dispute to the Board of Grievances for resolution.

Table (12.22): Sales Gas Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 28/07/1431H (corresponding to 10/07/2010G) in relation to the supply of sales gas to the Marafiq's plant in Yanbu Industrial City

Sales Gas Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 28/07/1431H (corresponding to 10/07/2010G) in relation to the supply of sales gas to the Marafiq's plant in Yanbu Industrial City	
Overview	The Sales Gas Supply Agreement was entered into between Marafiq (as the Buyer) and Saudi Arabian Oil Company (Saudi Aramco) ("Aramco") (as the Seller) on 28/07/1431H (corresponding to 10/07/2010G), whereby Aramco supplies sales gas to the Marafiq plant in Yanbu Industrial City (the "Agreement").
Term and Renewal	The Agreement is effective for twenty (20) years, commencing from 28/07/1431H (corresponding to 10/07/2010G).
Termination of the Agreement	Either party has the right to terminate this Agreement by a written notice submitted to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party.
Key Obligations	1- Marafiq has a number of obligations under the Agreement, including, but not limited to, the following: a- The installation and maintenance of backup fuel systems in its plant in Yanbu Industrial City at its own expense to be used in case Aramco fails to deliver sales gas to Marafiq for any reason whatsoever. b- Provide Aramco, at least one month before the beginning of every year, with a written report detailing the expected annual requirements, including the estimated daily demand rate and the maximum demand for sales gas. Aramco shall confirm its ability to supply the sales gas quantities specified in this Agreement to Marafiq within thirty (30) days after receiving the report. c- Pay the value of all sales gas quantities sold and delivered thereto before the Agreement's effective date. Marafiq's failure to pay within thirty (30) days after the Agreement enters into force will be deemed a material breach of the Agreement. d- The sales gas sold under the Agreement shall only be used as fuel in the combustion gas turbine generators in the Marafiq plant, and Marafiq may not export or transfer it to a third party without the written consent of Aramco. 2- Aramco shall be obliged to sell the sales gas quantities specified in the Agreement, subject to availability and the policies governing the Kingdom of Saudi Arabia's production, refining, crude oil, gas sales and pricing. 3- Aramco has the right to amend the declared specifications of sales gas from time to time and is obliged to notify Marafiq of any amendments made to the specifications before the supply and delivery of the sales gas conforming to those amended specifications at the latest.
Liability and Indemnity	1- Aramco shall do its utmost to deliver the sales gas to Marafiq in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of sales gas to Marafiq according to the specifications described in the Agreement. 2- Aramco shall not be liable to Marafiq in the event that it is unable to supply sales gas as a result of changes in the Saudi Government's production and quota plans. 3- Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.
Value of Agreement	The value of the Agreement shall be determined in accordance with the gas price set by the Saudi Government (the "**Government Price**"), and Aramco shall be obliged to inform Marafiq of any adjustments to the Government Price. The total amounts of payments made by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 147,767,386.
Payment Mechanism	Aramco shall provide Marafiq with a monthly invoice for the amounts due for the quantities of sales gas actually delivered during the previous month, and Marafiq shall pay these invoices within forty-five (45) days from the end of the month in which the sale was made. Marafiq shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Marafiq's failure to fulfill its obligations in this regard.
Assignment and Subcontracting	Marafiq may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom of Saudi Arabia's arbitration regulations.

Table (12.23): Sales Gas Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) on 28/04/1432H (corresponding to 02/04/2011G) in relation to with the supply of sales gas to the local gas distribution facilities network in the Light Industrial Park in Yanbu Industrial City

Sales Gas Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) on 28/04/1432H (corresponding to 02/04/2011G) in relation with the supply of sales gas to the local gas distribution facilities network in the Light Industrial Park in Yanbu Industrial City	
Overview	The Sales Gas Supply Agreement was entered into between Marafiq (as the Buyer) and Saudi Arabian Oil Company (Saudi Aramco) ("**Aramco**") (as the Seller) on 28/04/1432H (corresponding to 02/04/2011G), whereby Aramco commits to providing Marafiq with sales gas for the local Marafiq gas distribution network in the Light Industrial Park in Yanbu Industrial City (the "**Agreement**").
Term and Renewal	The Agreement is effective for twenty (20) years, from 28/04/1432H (corresponding to 02/04/2011G).
Termination of the Agreement	1- Either party has the right to terminate this Agreement by a written notice submitted to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party. 2- Aramco has the right to suspend the delivery of sales gas and terminate the Agreement if the operation and maintenance agreement between Aramco and Marafiq concluded on 02/04/2011G is terminated.
Key Obligations	1- Marafiq has a number of obligations under the Agreement, including, but not limited to, the following: a- In the event that Aramco is at any time unable to deliver gas to Yanbu Industrial City due to force majeure, government directives or any other reason, Marafiq shall notify the third party of the establishment of a reserve fuel unit at the third-party plant, and the third party shall bear all the costs of establishing such unit, along with maintenance and operation costs. b- Provide Aramco, at least one month before the beginning of every year, with a written report detailing the expected annual requirements, including the estimated daily demand rate and the maximum demand for sales gas. Aramco shall confirm its ability to supply the sales gas quantities specified in this Agreement to Marafiq within thirty (30) days after receiving the report. c- Pay the value of all sales gas quantities sold and delivered thereto before the Agreement's effective date. Marafiq's failure to pay within thirty (30) days after the Agreement enters into force will be deemed a material breach of the Agreement. d- The sales gas sold under the Agreement shall only be used as fuel in Marafiq's plant and may not be exported or transferred by Marafiq to a third party without Aramco's written consent. 2- Aramco shall be obliged to sell the sales gas quantities specified in the Agreement, subject to availability and the policies governing the Kingdom of Saudi Arabia's production, refining, crude oil, gas sales and pricing. 3- Aramco has the right to amend the declared specifications of the sales gas from time to time and is obliged to notify Marafiq of any amendments made to the specifications at least twelve (12) months before the supply and delivery of the sales gas conforming to those amended specifications.
Liability and Indemnity	• Aramco shall do its utmost to deliver the sales gas to Marafiq in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of sales gas to Marafiq according to the specifications described in the Agreement. • Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.
Value of Agreement	The value of the Agreement shall be determined by the prevailing local market price of sales gas, which at the time of the Agreement's conclusion was one US dollar and twenty-five cents per million British thermal units (USD 1.25/1,000,000 Btus), excluding taxes and fees imposed by the Saudi Government (the "**Prevailing Local Market Price**"), and Aramco shall be required to notify Marafiq of any changes to the prevailing local market price. The total amount of payments made by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 44,417,359.
Payment Mechanism	Aramco shall provide Marafiq with a monthly invoice for the amounts due for the quantities of sales gas actually delivered during the previous month, and Marafiq shall pay these invoices within forty-five (45) days from the end of the month in which the sale was made. Marafiq shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Marafiq's failure to fulfill its obligations in this regard.

Sales Gas Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) on 28/04/1432H (corresponding to 02/04/2011G) in relation with the supply of sales gas to the local gas distribution facilities network in the Light Industrial Park in Yanbu Industrial City	
Assignment and Subcontracting	Marafiq may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such a dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom of Saudi Arabia's arbitration regulations.

Table (12.24): Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 19/02/1434H (corresponding to 01/01/2013G) in relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 19/02/1434H (corresponding to 01/01/2013G) relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City	
Overview	The Fuel Oil Supply Agreement was entered into between Marafiq (as the Buyer) and the Saudi Arabian Oil Company (Saudi Aramco) ("**Aramco**") (as the Seller) on 19/02/1434H (corresponding to 01/01/2013G), whereby Aramco shall supply Marafiq with certain quantities of fuel oil in Yanbu Industrial City (the "**Agreement**").
Term and Renewal	The Agreement is effective for a period of twenty (20) years commencing in 2003G.
Termination of the Agreement	Either party has the right to terminate this Agreement by a written notice submitted to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party.
Key Obligations	• Marafiq has a number of obligations under the Agreement, including, but not limited to, the following: a- Building and maintaining the reserve fuel system at its plant in Yanbu Industrial City at its own cost for use if Aramco is unable to deliver fuel oil for any reason. These systems shall be used to store fuel oil in large quantities sufficient to operate and maintain Marafiq's plant for at least three (3) days. b- Storing and maintaining the minimum required amount of diesel to operate and maintain the turbine vortex generators at Marafiq's power plant in Yanbu Industrial City for at least two days if Aramco is unable to deliver for any reason. Aramco shall not be responsible for any circumstances that would delay the operation of Marafiq's plant for more than two days. c- Provide Aramco, at least forty-five (45) days prior to the beginning of each year, with a written report of the expected annual requirements, which includes the estimated daily demand rate and the maximum demand for fuel oil. Aramco shall confirm its ability to supply the quantities of fuel oil specified in this Agreement to Marafiq within thirty (30) days of receipt of the report. d- Pay the value of all fuel oil quantities sold and delivered thereto prior to the Agreement's effective date. Marafiq's failure to pay within thirty (30) days of the Agreement's effective date will be considered a material breach of the Agreement. e- The fuel oil sold under the Agreement may only be used as fuel at Marafiq's plant and may not be exported or transferred by Marafiq to a third party without Aramco's written consent. • Aramco is obliged to coordinate inspection, detection and maintenance work with Marafiq and notify it of the same in writing within at least sixty (60) days. In the event that Aramco is unable to provide the quantities of fuel oil agreed upon in the Agreement to Marafiq, the latter shall allow Aramco to complete the work requirements within the required period.
Liability and Indemnity	• Aramco will bear any additional costs associated with fuel supply in the event of a supply disruption caused by its default. Marafiq shall bear the additional costs incurred as a result of its default in the event of a supply disruption. • Aramco shall not be liable to a Marafiq in the event that it is unable to supply fuel oil as a result of changes in the Saudi Government's production and quota plans. • Aramco shall make every effort to deliver and supply fuel oil to Marafiq in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of fuel oil to Marafiq according to the specifications described in the Agreement. • Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 19/02/1434H (corresponding to 01/01/2013G) relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City	
Value of Agreement	The value of the Agreement shall be determined in accordance with the fuel oil price set by the Government (the "**Government Price**"), and Aramco shall be obliged to inform Marafiq of any adjustments to the Government Price. The total amount of payments made by Marafiq in the financial year ended 31 December 2021G under this Agreement and the Fuel Oil Supply Agreement entered into on 01/04/1435H (corresponding to 01/02/2014G) amounted to SAR 58,908,255 (for more information on the Agreement, please refer to Table 12.25 ("**Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) on 01/04/1435H (corresponding to 01/02/2014G) in relation to the supply of fuel oil and Arab Light Crude to Marafiq's plant in Yanbu Industrial City**") of this Prospectus).[23]
Payment Mechanism	Aramco shall provide Marafiq with a monthly invoice for the amounts due for the quantities of fuel oil actually delivered during the previous delivery month, and Marafiq shall pay these invoices within thirty (30) days from the end of the month in which the sale was made. Marafiq shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Marafiq's failure to fulfill its obligations in this regard.
Assignment and Subcontracting	Marafiq may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom's arbitration regulations.

Table (12.25): Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 01/04/1435H (corresponding to 01/02/2014G) in relation to the supply of fuel oil and Arab Light Crude to Marafiq's plant in Yanbu Industrial City

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 01/04/1435H (corresponding to 01/02/2014G) in relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City	
Overview	The Fuel Oil Supply Agreement was entered into between Marafiq (as the Buyer) and Saudi Arabian Oil Company ("**Aramco**") (as the Seller) on 01/04/1435H (corresponding to 01/02/2014G), whereby Aramco shall supply Marafiq with certain quantities of heavy fuel oil for use as fuel or supplying the same through Aramco's supplier (Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)) and Arab Light Crude for use as reserve fuel only for the power plant (STG 5 and 6) in Yanbu Industrial City (the "**Agreement**").
Term and Renewal	The Agreement is effective for twenty (20) years, from 01/04/1435H (corresponding to 01/02/2014G).
Termination of the Agreement	Either party has the right to terminate this Agreement by a written notice submitted to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party.
Key Obligations	• Marafiq has a number of obligations under the Agreement, including, but not limited to, the following: a- Using Arab Light Crude as reserve fuel only for the power plant (STG 6 and 5) in Yanbu Industrial City. b- Storing, building and maintaining fuel oil systems at its plant in Yanbu Industrial City at its own expense for use if Aramco is unable to deliver fuel oil for any reason. Such systems shall be used to store fuel oil in large quantities sufficient to operate Marafiq's plant for at least forty-five (45) days. c- Store and maintain the minimum required amount of Arab Light Crude and reserve fuel to operate and maintain Marafiq's power plant (STG 5 and 6) in Yanbu Industrial City if Aramco is unable to deliver for any reason. • Aramco is obliged to coordinate inspection, detection and maintenance work with Marafiq and notify it of the same in writing within at least sixty (60) days. In the event that Aramco is unable to provide the quantities of fuel oil agreed upon in the Agreement to Marafiq, the latter shall allow Aramco to complete the work requirements within the required period. • Aramco has the right to amend the declared specifications of the fuel oil and reserve fuel from time to time, and it is obliged to notify Marafiq of any amendments made to the specifications at least sixty (60) days before the supply and delivery of the fuel oil conforming to those amended specifications.

[23] Aramco shall issue a single invoice for the two fuel oil supply agreements.

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 01/04/1435H (corresponding to 01/02/2014G) in relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City	
Liability and Indemnity	• Aramco will bear any additional costs associated with fuel oil supply in the event of a supply disruption caused by its default. Marafiq shall bear the additional operation and maintenance costs incurred as a result of its default in the event of a supply disruption. • Aramco shall not be liable to Marafiq in the event that it is unable to supply fuel oil as a result of changes in the Saudi Government's production and quota plans. • Aramco shall make every effort to deliver and supply fuel oil and reserve oil to Marafiq in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of fuel oil and reserve oil to Marafiq according to the specifications described in the Agreement. • Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.
Value of Agreement	The value of the Agreement shall be determined in accordance with the fuel oil or reserve oil prices set by the Saudi government (the "**Government Price**"), and Aramco shall be obliged to inform Marafiq of any adjustments to the Government Price. The total amount of payments made by Marafiq in the financial year ended 31 December 2021G under this Agreement and the Fuel Oil Supply Agreement concluded on 19/02/1434H (corresponding to 01/01/2013G) amounted to SAR 58,908,255 (for more information on the Agreement, please refer to Table 12.24 ("**Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) on 19/02/1434H (corresponding to 01/01/2013G) in relation to the supply of fuel oil to Marafiq's plant in Yanbu Industrial City**") of this Prospectus).[24]
Payment Mechanism	Aramco shall provide Marafiq with a monthly invoice for the amounts due for the quantities of fuel oil actually delivered during the previous delivery month, and Marafiq shall pay these invoices within thirty (30) days from the end of the month in which the sale was made. Marafiq shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Marafiq's failure to fulfill its obligations in this regard.
Assignment and Subcontracting	Marafiq may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom of Saudi Arabia's arbitration regulations.

Table (12.26): Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 02/09/1437H (corresponding to 07/06/2016G) in relation to the supply of fuel oil and crude oil to Marafiq's plant in Yanbu Industrial City

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated on 02/09/1437H (corresponding to 07/06/2016G) in relation to the supply of fuel oil and crude oil to Marafiq's plant in Yanbu Industrial City	
Overview	The Fuel Oil Supply Agreement was entered into between Marafiq (as the Buyer) and Saudi Arabian Oil Company (Saudi Aramco) ("**Aramco**") (as the Seller) on 02/09/1437H (corresponding to 07/06/2016G), whereby Aramco shall supply Marafiq with certain quantities of fuel oil to be used as fuel and Arab Light Crude to be used as reserve fuel only for the Yanbu 2 Power and Water plant (STG 21, 22 and 23) in Yanbu Industrial City (the "**Agreement**").
Term and Renewal	The Agreement shall be valid for one (1) year as of 08/09/1437H (corresponding to 13/06/2016G) and shall be automatically renewed for one (1) year unless terminated by either party sixty (60) days before the Agreement's expiration date by written notice delivered to the other party.
Termination of the Agreement	Either party has the right to terminate this Agreement by a written notice submitted to the other party if that party materially breaches the terms of this Agreement and fails to correct such breach within sixty (60) days of receiving said written notice from the other party.

[24] Aramco shall issue a single invoice for the two fuel oil supply agreements.

Fuel Oil Supply Agreement between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated on 02/09/1437H (corresponding to 07/06/2016G) in relation to the supply of fuel oil and crude oil to Marafiq's plant in Yanbu Industrial City	
Key Obligations	• Marafiq has a number of obligations under the Agreement, including, but not limited to, the following: a- Using Arab Light Crude as fuel only for Yanbu 2 Power and Water Plant (STG 1, 2 and 3) in Yanbu Industrial City. b- Storing, building and maintaining fuel oil systems at its plant in Yanbu Industrial City at its own expense for use if Aramco is unable to deliver fuel oil for any reason. Such systems shall be used to store fuel oil in large quantities sufficient to operate and maintain Marafiq's plant for at least forty-five (45) days. • Aramco is obliged to coordinate inspection, detection and maintenance work with Marafiq and notify it of the same in writing within at least sixty (60) days. In the event that Aramco is unable to provide the quantities of Arab Light Crude agreed upon in the Agreement to Marafiq, the latter shall allow Aramco to complete the work requirements within the required period. • Aramco shall be entitled to amend the declared specifications of the fuel oil from time to time, and it is obliged to notify Marafiq of any amendments made to the specifications at least sixty (60) days before the supply and delivery of the fuel oil conforming to those amended specifications.
Liability and Indemnity	• Aramco will bear any additional costs associated with reserve fuel supply in the event of a supply disruption caused by its default. Marafiq shall bear the additional operation and maintenance costs incurred as a result of its default in the event of a supply disruption. • Aramco shall not be liable to Marafiq in the event that it is unable to supply Arab Light Crude or fuel oil as a result of changes in the Saudi Government's production and quota plans. • Aramco shall do its utmost to deliver and supply Arab Light Crude to Marafiq in accordance with the specifications, quantity and quality outlined in the Agreement. However, Aramco shall not be liable for losses, claims, damages, resolutions, judgments, injuries, death of persons, property damage or any other losses as a result of Aramco's failure to deliver an adequate supply of Arab Light Crude to Marafiq according to the specifications described in the Agreement. • Neither party shall be liable to the other party for special indirect damages related to the Agreement or the works related thereto, whether such liability was caused by damages, contracting or otherwise.
Value of Agreement	The value of the Agreement shall be determined in accordance with the fuel oil and Arab Light Crude prices set by the Saudi Government (the "**Government Price**"), and Aramco shall be obliged to inform Marafiq of any adjustments to the Government Price. The total amount of payments made by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 241,089,962.
Payment Mechanism	Aramco shall provide Marafiq with a monthly invoice for the amounts due for the quantities of fuel oil actually delivered during the previous delivery month, and Marafiq shall pay these invoices within thirty (30) days from the end of the month in which the sale was made. Marafiq shall also be obliged to reimburse any additional expenses or costs incurred by Aramco as a result of Marafiq's failure to fulfill its obligations in this regard.
Assignment and Subcontracting	Marafiq may not transfer or assign all or part of the Agreement without the prior written consent of Aramco (provided that such consent is not withheld without reasonable cause).
Governing Law	The Agreement is governed by the laws of the Kingdom of Saudi Arabia. In the event that a dispute arises, such dispute shall be settled amicably by negotiation between both parties. If an amicable settlement is not reached between both parties within sixty (60) days or within any period agreed upon by both parties, the dispute shall be settled through arbitration in accordance with the Kingdom of Saudi Arabia's arbitration regulations.

Table (12.27): Utility User Agreement in Jubail between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 21/10/1435H (corresponding to 17/08/2014G)

Utility User Agreement in Jubail between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) dated 21/10/1435H (corresponding to 17/08/2014G)	
Agreement Overview	A Utility User Agreement was entered into between Marafiq and Saudi Arabian Oil Company (Saudi Aramco) (as the Customer), under which Marafiq supplies Wasit Gas Plant with public utility services in Jubail, including (1) potable water (for industrial use), (2) irrigation water, (3) seawater cooling, (4) collection and treatment of sanitary wastewater, (5) collection and treatment of industrial wastewater. The agreement was amended on 28/11/2016G.
Agreement Term and Renewal Mechanism	The Agreement is valid for thirty (30) years as of 21/10/1435H (corresponding to 17/08/2014G), unless terminated under its provisions prior to the date of the Agreement's expiry. the term of the Agreement may be extended for additional periods upon the parties' written agreement,
Termination of the Agreement	• Either party may terminate the Agreement by sending the other party a written notice if the other party materially breaches one of the terms of the Agreement and the breach is not corrected within ninety (90) days of receiving a notice of breach or within any other period agreed upon by both parties. The Agreement's termination does not relieve either party of its obligations under the Agreement that arose prior to its termination. • If the customer does not wish to remain on the site, it may terminate the Agreement by sending a written notice to Marafiq at least twelve (12) months before the date of vacating the property. • Both parties have the right to terminate the Agreement if there is a force majeure event resulting in the inability of Marafiq to perform any of its material obligations under the Agreement for a period of (360) continuous days, provided the customer is given notice of the same within a period of no less than ninety (90) days prior to termination.
Key Obligations	• Marafiq shall provide the customer with the public utility services specified in the Agreement. The customer shall pay a fee for such services based on the tariff approved by the relevant regulator in accordance with the terms and conditions of the Agreement. • The customer shall provide sufficient space to enable Marafiq to install the facilities and connect the equipment necessary to provide the customer with services. The customer may not change or modify such Marafiq-owned facilities and equipment, and the customer must protect them at their own expense. • In the absence of measuring equipment, Marafiq shall provide and install the meters required to measure the supply of each of the public utility services to be provided by it before beginning to supply such services to the customer. The customer shall agree to reimburse Marafiq for any resulting costs. • The customer agrees not to resell any of Marafiq's utility services to third parties, and shall notify Marafiq in the event of any change to the expected needs and requirements of the services provided under the Agreement. • Marafiq shall be obliged to notify the other party fifteen (15) days in advance of any possible change or interruption in the utility services provided under the Agreement.
Liability and Indemnity	• Except in cases of gross negligence or willful misconduct by Marafiq, the latter shall not be liable for any loss, claim, damage or compensation as a result of Marafiq's providing or failure to provide the agreed-upon services to the customer in the quantity and/or quality set out in the Agreement. However, Marafiq shall endeavor to take the necessary measures to remedy the situation and to correct any negligence or breach as soon as possible. • Each party shall compensate the other party for any losses resulting from its negligence or failure to act in accordance with the Agreement, except in cases of gross negligence, willful misconduct or breach of the provisions of the Agreement by the other party.
Value of Agreement	The Agreement's value and service fees shall be determined separately for each service in accordance with the table attached to the Agreement. Marafiq shall have the right to amend the fees as approved by the regulatory authority by submitting a written notice at least sixty (60) days in advance. The total value of payments received by Marafiq in the financial year ended 31 December 2021G under this Agreement amounted to SAR 53,099,739.
Payment Mechanism	Marafiq shall issue monthly invoices for the amounts owed by the customer under the Agreement. The customer shall pay the value of the invoices within a period not exceeding forty-five (45) days as of the date on which the relevant invoice is issued. Marafiq shall have the right to impose financial penalties in the event of late payment by the customer.
Assignment and Subcontracting	The customer may not assign its rights and obligations under the Agreement to any third party without obtaining the consent of Marafiq.
Governing Law	The Agreement shall be governed and construed in accordance with the laws of the Kingdom of Saudi Arabia. Any dispute arising from the Agreement shall be settled amicably. If the dispute is not resolved amicably within thirty (30) days of its occurrence, recourse shall be made to arbitration in accordance with Saudi Law.

Table (12.28): Memorandum of Understanding between Marafiq and the Royal Commission dated 07 February 2012G regarding the management, operation and maintenance of water utility services in Ras Al-Khair

Memorandum of Understanding between Marafiq and the Royal Commission dated 07 February 2012G regarding the management, operation and maintenance of water utility services in Ras Al-Khair	
Overview	Marafiq signed a Memorandum of Understanding on 07/02/2012G with the Royal Commission regarding the management, operation and maintenance of water utility services, including potable water, industrial wastewater, seawater cooling and irrigation water in RIC ("**Memorandum of Understanding**" or "**MoU**").
Key Obligations	• Marafiq has a number of obligations under the MoU, which include: a- Carrying out management, operation and maintenance work of water utilities in RIC. b- Providing water services in accordance with the responsibilities outlined in the Master Lease Agreement, which include potable water, industrial wastewater, seawater cooling and irrigation water in RIC. • The Royal Commission have a number of obligations under the MoU, including regulating the production of cooling water, process water, sanitary and industrial wastewater, irrigation water and potable water at distribution points and during transportation, distribution, procurement, sale, import or export thereof and providing its services in RIC. For further details, please refer the summary of the Master Lease Agreement between Marafiq and the Royal Commission in Section 12.8 ("**Real Estate**") of this Prospectus.

Table (12.29): Memorandum of Understanding between Marafiq and the Royal Commission dated 29 April 2019G regarding the management, operation and maintenance of electricity utility services in Ras Al-Khair

Memorandum of Understanding between Marafiq and the Royal Commission dated 29 April 2019G regarding the management, operation and maintenance of electricity utility services in Ras Al-Khair	
Overview	Marafiq signed a Memorandum of Understanding on 29/04/2019G with the Royal Commission regarding the management, operation and maintenance of electricity utility services in RIC ("**Memorandum of Understanding**" or "**MoU**").
Key Obligations	• Marafiq has a number of obligations under the MoU, which include: a- Carrying out management, operation and maintenance work of electricity utilities in RIC. b- Providing electricity services in accordance with the responsibilities outlined in the Master Lease Agreement, which include electric power systems, utilities and equipment related to the facility or which will be established on it by the Royal Commission, including the land within the city on which the facilities, utilities and power line corridors are built, according to the Master Lease Agreement. c- Updating the procedures for the transfer of assets, preparing the schedule and technical commitments and reviewing the design procedures (which should have been completed on 30/05/2019G). • The Royal Commission have a number of obligations under the MoU, which include coordinating with the parties producing and transmitting power to ensure securing the necessary supplies for RIC. For further details, please refer the summary of the Master Lease Agreement between Marafiq and the Royal Commission in Section 12.8 ("**Real Estate**") of this Prospectus.

Table (12.30): Water Interconnection Agreement between Marafiq and Jubail Water and Power Company (JWAP) on 27 May 2007G with regard to the power generation and seawater desalination plant in Jubail Industrial City

Water Interconnection Agreement between Marafiq and Jubail Water and Power Company (JWAP) on 27 May 2007G with regard to the power generation and seawater desalination plant in Jubail Industrial City	
Overview	Marafiq entered into an agreement on 27/05/2007G with Jubail Water and Power Company ("**JWAP**") to connect the power generation and seawater desalination plant in Jubail Industrial City to Marafiq's water distribution facilities (the "**Agreement**").
Term and Renewal	The Agreement is valid from 27/05/2007G and expires on the expiration of the Power and Water Purchase Agreement between Marafiq and JWAP. The Agreement may be renewed provided that both parties agree.
Termination of the Agreement	• Either party may terminate the Agreement in certain circumstances by providing notice to the other party as specified in the Agreement. These circumstances include: a- Agreement between both parties to terminate the Agreement. b- Termination as a result of default or breach with a prior notice of no less than 30 days. • In the event of termination, either party may seek compensation from the breaching party for any breach and failure to fulfil any of their obligations under the Agreement.
Key Obligations	• Marafiq has a number of obligations under the Agreement, including the following: a- Operating and maintaining its own equipment. b- Accepting water complying with the specifications outlined in the Agreement and provided by JWAP. • JWAP has a number of obligations under the Agreement, which include: a- Operating and maintaining its own equipment and operating the plant and desalination units in accordance with the requirements stipulated in the Agreement. b- Complying with the water distribution requirements stipulated in the Agreement.
Liability and Indemnity	• JWAP shall be obliged to compensate Marafiq for any losses, claims or damages claimed by any third party if the water provided does not comply with the specifications of the Agreement, unless Marafiq is aware of such non compliance. • JWAP shall not be liable for any costs or expenses incurred as a result of losses that were not directly caused by JWAP.
Value of Agreement	This Agreement, by nature, does not have a value.
Assignment and Subcontracting	Except for JWAP's right to assign any of its rights or obligations under the Agreement to any of its financing party, or to any third party representing any such financing party pursuant to any financing agreement between them, neither party shall have the right to sell, assign or transfer any of its rights or obligations under the Agreement without the prior written consent of the other party.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia, and any dispute arising from it shall be resolved amicably. If the dispute is not settled amicably within thirty (30) days from the date on which it arises, it shall be referred to the Board of Grievances.

Table (12.31): Operation and Maintenance Services Agreement between Marafiq and MASA Services Company for Operation and Maintenance (Masa) on 10 August 2011G with regard to water, wastewater and seawater cooling activities in Jubail, Yanbu and Ras Al-Khair, amended on 15 February 2014G, 30 June 2016G, 01 January 2020G and 31 October 2020G

<table>
<tr><th colspan="2">Operation and Maintenance Services Agreement between Marafiq and MASA Services Company for Operation and Maintenance (Masa) on 10 August 2011G with regard to water, wastewater and seawater cooling activities in Jubail, Yanbu and Ras Al-Khair, amended on 15 February 2014G, 30 June 2016G, 01 January 2020G and 31 October 2020G</th></tr>
<tr><td>Overview</td><td>On 10/08/2011G, Marafiq entered into an Operation and Maintenance Services Agreement with SAUR International (SAS) in relation to water, wastewater and seawater cooling activities in Jubail Industrial City. The Agreement was amended on 15 February 2014G, 30 June 2016G, 01 January 2020G and 31 October 2020G, and was transferred and assigned by SAUR International (SAS) to MASA Services Company for Operation and Maintenance (formerly known as "SAUR Operation and Maintenance Company") ("MaSa") (as the Operator) (the "Agreement").</td></tr>
<tr><td>Term and Renewal</td><td>The Agreement is in effect from 10/08/2011G until 31 December 2024G.</td></tr>
<tr><td>Termination of the Agreement</td><td>• The Company may terminate the Agreement with immediate effect in certain cases and with notice to MaSa as specified in the Agreement. These cases include:
a- MaSa's bankruptcy, insolvency or liquidation, the appointment of a liquidator or trustee thereto or a competent authority's order to liquidate or declare MaSa bankrupt.
b- MaSa's breach and failure to fulfill any of its obligations under the Agreement and its inability to rectify such breach within thirty (30) days of the date of Marafiq's notice thereof.
c- MaSa's inability to obtain the insurance coverage required under the Agreement.
d- MaSa's assignment of the Agreement or transfer of any of its rights or obligations to any other party, except for the cases provided for in the Agreement.
• MaSa may terminate the Agreement in certain cases and with a notice of at least thirty (30) days, to be provided to Marafiq as described in the Agreement. These cases include:
a- Issuance of a decision declaring Marafiq bankrupt.
b- Marafiq's suspension of services provided under the Agreement for thirty (30) consecutive days, other than in cases where suspension of services is due to a breach by MaSa, failure to fulfill any of its obligations under the Agreement or deliberate negligence.
c- Marafiq's failure to pay the amounts due to MaSa within sixty (60) days from the date of MaSa's notification thereof.
d- MaSa's breach of and failure to fulfill any of its obligations under the Agreement and its failure to rectify such breach within sixty (60) days from the date of notification by Marafiq thereof.
• In the event of termination, MaSa will continue to provide services under the Agreement (if requested by Marafiq) for no more than six (6) months from the date of termination. MaSa shall be obligated (at Marafiq's request) to coordinate with another operator and provide that operator with what it requires in order to enable it to provide Marafiq with the services agreed upon in the Agreement. In certain cases, Marafiq shall compensate MaSa for the services provided in full in accordance with the terms and conditions provided by the Agreement.</td></tr>
<tr><td>Key Obligations</td><td>• Marafiq has a number of obligations under the Agreement, including the following:
a- Providing the necessary amounts of water and power to allow MaSa to fulfill its obligations and providing the services set out under the Agreement.
b- Complying with all applicable regulations pertaining to the services provided under the Agreement. Marafiq shall be responsible for making all necessary regulatory arrangements in this regard.
• MaSa has a number of obligations under the Agreement, which include the following:
a- Providing a clear business plan and reports to Marafiq that outline the services that MaSa will provide to Marafiq under the Agreement.
b- Providing operation and maintenance services in accordance with the specifications stipulated in the Agreement.
• Complying with environmental requirements and all applicable regulations pertaining to the services provided to Marafiq under the Agreement.</td></tr>
<tr><td>Liability and Indemnity</td><td>With the exception of certain cases specified in the Agreement, each party shall indemnify the other party for any losses, claims, damage or compensation claimed by any third party if such losses, claims, damage or compensation result from the breaching party's gross negligence or willful misconduct, failure to fulfill any of its obligations under the Agreement or non-compliance with the laws and regulations stipulated in the Agreement.</td></tr>
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Operation and Maintenance Services Agreement between Marafiq and MASA Services Company for Operation and Maintenance (Masa) on 10 August 2011G with regard to water, wastewater and seawater cooling activities in Jubail, Yanbu and Ras Al-Khair, amended on 15 February 2014G, 30 June 2016G, 01 January 2020G and 31 October 2020G	
Value of Agreement	The required amounts shall be determined in accordance with the tables contained in the Agreement, subject to the operation and maintenance fees and costs. The total amount of fees paid by Marafiq for the financial year ended 31 December 2021G under this Agreement amounted to SAR 470,502,359.
Payment Mechanism	MASA shall issue monthly invoices to Marafiq for any amounts owed to MASA, and Marafiq shall pay the value of these invoices within no more than thirty (30) days from the date of receipt thereof.
Assignment and Subcontracting	The parties to the Agreement shall not have the right to sell, assign or transfer any of their rights or obligations under the Agreement to any other party without obtaining the prior written consent of the other party.
Governing Law	The Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia, and any dispute arising from it shall be resolved amicably. If the dispute is not settled amicably within sixty (60) days from the date on which it arises, it shall be referred to the Board of Grievances.

12.7 Credit Facilities and Loans

The following is a summary of the material facility and loan agreements entered into by the Company and its Subsidiaries.

Table (12.32): Common Terms Agreement between Jubail Water and Power Company as the Company, BNP Paribas, SAMBA Financial Group and Gulf International Bank B.S.C. as Mandated Lead Arrangers, BNP Paribas as Global Facility Agent and International Facilities Agent, BNP Paribas, Seoul Branch as KEIC Covered Facility Agent, Riyad Bank as Islamic Facility Agent, Gulf International Bank B.S.C. as LRA Facility Agent, Mizuho Corporate Bank Ltd as Offshore Security Trustee, SAMBA Financial Group as Onshore Security Trustee, Gulf International Bank as Bahrain Security Agent, BNP Paribas, London Branch as Offshore Account Bank and SAMBA Financial Group as Onshore Account Bank ("JWAP CTA"):

JWAP Common Terms Agreement	
Date of Agreement	27/04/1428H (corresponding to 14/05/2007G)
Borrower	Jubail Water and Power Company ("**JWAP**").
Facility Type/Purpose/Amount	The financing of a project which comprises the development, design, engineering, procurement, manufacturing, financing, construction, permitting, completion, testing, commissioning, insurance, ownership, operation and maintenance of a power generation and desalination plant with a net power capacity of circa 2,745 MW and circa 800,000 cubic meters per day of water production capacity. The financing includes the International Facilities, the KEIC Covered Facility, the Islamic Facility, the Working Capital Facility and the LRA Facility (each as defined under the JWAP CTA) ("**JWAP Financing Facilities**") being provided by the respective Credit Providers (as defined in the JWAP CTA).
Term	Respective final maturity dates for the facilities being extended to JWAP are noted under the respective facility agreements for the JWAP Financing Facilities with the maturity date(s) for long term financing extending up to 2029G.
Facility Value	The value of the total commitments of the Credit Providers in respect of the JWAP Financing Facilities is USD 2,816,835,000.

JWAP Common Terms Agreement	
Related Documents	a- USD 1,571,835,000 International Facilities Agreement dated 14 May 2007G between JWAP, BNP Paribas (as International Facilities Agent) and others; b- USD 645,000,000 KEIC Covered Facility Agreement dated 14 May 2007G between JWAP, BNP Paribas, Seoul Branch (as KEIC Covered Facility Agent) and KEIC Covered Facility Lenders; c- LRA Facility Agreement dated 28 March 2016G between, among others, JWAP, Samba Financial Group (as LRA Facility Agent) and BNP Paribas (as Global Facility Agent); d- USD 495,565,000 Equity Bridge Loan dated 14 May 2007G between JWAP and BNP Paribas (as EBL Facility Agent); e- SAR 100,000,000 Working Capital Facility Agreement dated 14 September 2014G between BNP Paribas Saudi Arabia Branch (as Lender) and JWAP, as amended by: 1- the First Amendment Agreement dated 07 September 2015G between JWAP (as the Borrower) and BNP Paribas, Saudi Arabia (as the Bank); 2- the Second Amendment Agreement dated 27 September 2016G between JWAP (as the Borrower) and BNP Paribas, Saudi Arabia (as the Bank); 3- the Third Amendment Agreement dated 10 September 2017G between JWAP (as the Borrower) and BNP Paribas, Saudi Arabia (as the Bank); and 4- the Fourth Amendment Agreement dated 16 August 2018G between JWAP (as the Borrower) and BNP Paribas, Saudi Arabia (as the Bank); f- Standby Letter of Credit dated 28 May 2007G from Samba Financial Group to Mizuho Corporate Bank, Ltd. (as Security Trustee); g- Letter of Credit dated 05 June 2007G from Arab National Bank to Mizuho Corporate Bank, Ltd; h- Agency Agreement dated 14 May 2007G between Riyad Bank (on its own behalf and on behalf of the other Islamic Finance Institutions) and JWAP (as Agent); i- Specified Lease Agreement dated 14 May 2007G between Riyad Bank (as agent for itself and on behalf of the other Specified Lease Banks) and JWAP (as Lessee); j- Asset Participation Agreement dated 14 May 2007G between Islamic Finance Institutions relating to the financing for JWAP of, inter alia, the construction and operation of the Marafiq independent power generation and seawater desalination plant and other facilities located in Jubail, Kingdom of Saudi Arabia; k- Agency Agreement dated 14 May 2007G between Islamic Finance Institutions and Riyad Bank (as Islamic Facility Agent); l- Service Agency Agreement dated 14 May 2007G between Riyad Bank as Islamic Facility Agent (on its own behalf and on behalf of the Specified Lease Banks) and JWAP (as Services Agent); m- Coordination Deed dated 14 May 2007G between, among others, JWAP and BNP Paribas (as Global Facility Agent, International Facilities Agent and EBL Facilities Agent); n- Offshore Deed of Charge and Assignment of Shareholder Loans dated 14 May 2007G between SGA Marafiq Holdings W.L.L., Power and Water Utility Company for Jubail and Yanbu and Saudi Electricity Company (as Chargors), Mizuho Corporate Bank, LTD (as Offshore Security Trustee) and JWAP; o- Onshore Security Over Accounts Agreement dated 14 May 2007G between JWAP, Samba Financial Group (as Onshore Security Agent) and Samba Financial Group (as Onshore Account Bank); p- Offshore Security Over Accounts Agreement dated 14 May 2007G between JWAP, Samba Financial Group (as Onshore Security Agent) and Samba Financial Group (as Onshore Account Bank); q- Support Agreement dated 14 May 2007G between the Ministry of Finance of the Kingdom of Saudi Arabia and JWAP; r- Guarantee dated 14 May 2007G from SGA Marafiq Holding WLL in favor of Gulf International Bank B.S.C. (as Bahrain Security Agent on behalf of the Senior Finance Parties); s- Standby Letter of Credit dated 28 May 2007G from Banque Saudi Fransi to Power and Water Utility Company for Jubail and Yanbu; t- Marafiq Water Interconnection Direct Agreement dated 27 May 2007G between Power and Water Utility Company for Jubail and Yanbu, JWAP and Samba Financial Group; u- PWPA Direct Agreement dated 14 May 2007G between Marafiq Water and Power Supply Company and JWAP and Mizuho Corporate Bank, LTD. (as Offshore Security Trustee) and Riyad Bank (as Islamic Facility Agent);

JWAP Common Terms Agreement	
Related Documents	v- O&M Agreement Direct Agreement dated 14 May 2007G between JWAP and Suez NOMAC O&M Holdings WLL (as Operator) and Suez-Tractebel S.A. and Arabian Company for Water and Power Projects and SOGEX Oman Co., LLC (as Guarantors) and Mizuho Corporate Bank, LTD. (as Offshore Security Trustee); w- LPR Direct Agreement dated 09 June 2007G between JWAP and Tractebel Parts and Repairs FZE (as Supplier) and Mizuho Corporate Bank, LTD. (as Offshore Security Trustee); x- EPC Contract Direct Agreement dated 04 June 2007G between JWAP (as Owner), General Electric International, Inc., Hyundai Heavy Industries Com., LTD and Societe Internationale De Dessalement (as Contractor), General Electric Company (as Guarantor), Mizuho Corporate Bank, LTD. (as Offshore Security Trustee) and Riyad Bank (as Islamic Facility Agent); y- Equity Subscription and Retention Agreement dated 26 May 2007G between JWAP, SGA Marafiq Holdings W.L.L., Power and Water Utility Company for Jubail and Yanbu, Saudi Electricity Company (as Initial Shareholders), Suez Tractebel S.A. Gulf Investment Corporation and Arabian Company for Water and Power Projects (as Initial Support Parties), BNP Paribas (as Global Facility Agent), BNP Paribas (as Equity Bridge Facility Agent) and Mizuho Corporate Bank, LTD (as Security Agent); z- ISDA Master Agreement dated 14 May 2007G between BNP Paribas London Branch and JWAP; aa- ISDA Master Agreement dated 14 May 2007G between Mizuho Corporate Bank Ltd and JWAP; ab- ISDA Master Agreement dated 14 May 2007G between Standard Chartered Bank and JWAP; ac- ISDA Master Agreement dated 14 May 2007G between SAMBA Financial Group and JWAP; ad- ISDA Master Agreement dated 11 April 2018G between The National Commercial Bank and JWAP; ae- Agreement for Security Over Shares in respect of shares in JWAP dated 14 May 2007G between SGA Marafiq Holdings W.L.L (as Pledgor) and SAMBA Financial Group (as Onshore Security Agent);
	af- Offshore Assignment of Insurance Proceeds dated 14 May 2007G between JWAP (as Agent) and Mizuho Corporate Bank (as Offshore Security Trustee); ag- Offshore Assignment of Reinsurance Proceeds dated 14 May 2007G between JWAP (as the Company), Mizuho Corporate Bank (as Offshore Security Trustee) and The Company for Cooperative Insurance (as Insurer); ah- Onshore Assignment Agreement dated 14 May 2007G between JWAP (as the Company) and SAMBA Financial Group (as Onshore Security Agent); ai- Pledge Over Plant and Equipment Agreement dated 14 May 2007G between JWAP (as Pledgor) and SAMBA Financial Group (as Onshore Security Agent); aj- Official Agreement Mortgaging a Business dated 28 May 2007G between JWAP (as Mortgagor) and Gulf International Bank BSC and SGA Marafiq Holdings W.L,L, (as Mortgagees); ak- Deed of Mortgage Share dated 27 May 2007G between Tractebel Parts and Repairs FZE, Power and Water Investments Limited of First Island House, and AQUA Marafiq Water and Electricity Company of Trident Trust Company (collectively as Mortgagors) and Gulf International Bank B.S.C (as Mortgagee); and al- Security Documents Amendment Agreement dated 29 October 2019G between JWAP, BNP Paribas (as Global Facility Agent), Samba Financial Group (as Onshore Security Agent) and Samba Financial Group (as Onshore Account Bank).

Table (12.33): Common Terms Agreement between Jeddah Althaniya Water Company (as the Company) and The National Commercial Bank (as the Initial Mandated Lead Arranger, Global Facility Agent, Procurement Facility Agent, Offshore Security Agent, Onshore Security Agent, Account Bank and Original Hedge Provider) ("JAWC CTA"):

JAWC Common Terms Agreement	
Date of Agreement	09/11/1441H (corresponding to 30/06/2020G)
Borrower	Jeddah Althaniya Water Company ("**JAWC**").
Facility Type/Purpose/ Amount	The financing of a project which inter alia comprises the development, financing, design, engineering, procurement, manufacture, factory testing, transportation, construction, installation, equipping, completion, testing commissioning, insurance, ownership, operation and maintenance by JAWC of (a) the 300,000 m³/day sewage treatment plant in Jeddah, Saudi Arabia; and (b) the Electrical Facilities. The financing includes the Procurement Facilities and the Working Capital Facility (each as defined under the JAWC CTA) ("**JAWC Financing Facilities**") being provided by the respective Finance Institutions (as defined in the JAWC CTA).
Term	Respective final maturity dates for the facilities being extended to JAWC are noted under the respective facility agreements for the JAWC Financing Facilities with the maturity date(s) for long term financing extending up to 2047G.
Facility Value	The value of the total USD Facility Commitments in respect of the JAWC Financing Facilities is USD 106,700,000. The value of the total SAR Facility Commitments in respect of the JAWC Financing Facilities is SAR 200,400,000.
Key Obligations	JAWC is required to diligently construct, or cause to be constructed, the Project in accordance with the EPC Contract and all other material requirements relating thereto. Additionally, the financing documents for the JAWC Financing Facilities contain standard representations, warranties and undertakings that have been tailored for the relevant commercial requirements and appear to be customary for transactions of the type contemplated.
Related Documents	a- Equity Subscription and Retention Agreement dated 30 June 2020G between JAWC (as the Company), Power and Water Utility Company for Jubail & Yanbu (Marafiq), Alamwal Alkhaleejiah Althaniya Veolia Middle East (as Initial Shareholders and Sponsors), The National Commercial Bank (as Global Facility Agent, Offshore Security Trustee and Onshore Security Agent), Banque Saudi Fransi (as Marafiq EBL Agent) and Arab National Bank (as Amwal EBL Agent and Veolia EBL Agent); b- ISDA Master Agreement dated 15 July 2020G between Banque Saudi Fransi and JAWC; c- ISDA Master Agreement dated 30 June 2020G between The National Commercial Bank and JAWC; d- SAR Purchase Undertaking dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as the Company); e- SAR Forward Lease Agreement dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as Lessee); f- SAR Procurement Agreement dated 30 June 2020G between The National Commercial Bank (as Procurement Facility Agent) and JAWC (as Procurer); g- SAR Procurement Agreement dated 30 June 2020G between the National Commercial Bank (as Procurement Facility Agent), and JAWC (as Procurer); h- SAR Sale Undertaking dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as the Company); i- SAR Service Agency Agreement dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as Service Agent); j- USD Sale Undertaking dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as the Company); k- USD Purchase Undertaking dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as the Company); l- USD Forward Lease Agreement dated 30 June 2020G between The National Commercial Bank (as Lessor) and JAWC (as Lessee); m- USD Procurement Agreement dated 30 June 2020G between The National Commercial Bank (as Procurement Facility Agent) and JAWC (as Procurer); n- USD Procurement Facility Investment Agency Agreement dated 30 June 2020G between the Financial Institutions (as Finance Institutions), The National Commercial Bank (as Procurement Facility Agent) and JAWC (as the Company);

JAWC Common Terms Agreement	
Related Documents	o- USD Service Agency Agreement dated 30 June 2020G between the National Commercial Bank (as Lessor) and JAWC (as Service Agent); p- Onshore Assignment Agreement dated 12 July 2020G between JAWC (as Assignor) and The National Commercial Bank (as Assignee); q- Onshore Assignment of Insurance Proceeds dated 12 July 2020G between JAWC (as Assignor) and The National Commercial Bank (as Assignee); r- Onshore Pledge Over Plant and Equipment dated 12 July 2020G between JAWC (as Pledgor) and The National Commercial Bank (as Onshore Security Agent); s- Onshore Security Over Accounts Agreement dated 12 July 2020G between JAWC and The National Commercial Bank (as Onshore Security Agent and Account Bank); t- Agreement for Security Over Shares dated 12 July 2020G between JAWC (as the Company), Veolia Middle East (as Pledgor) and The National Commercial Bank (as Onshore Security Agent); u- Agreement for Security Over Shares dated 12 July 2020G between JAWC (as the Company), Power and Water Utility Company for Jubail and Yanbu (Marafiq) (as Pledgor) and The National Commercial Bank (as Onshore Security Agent); v- Agreement for Security Over Shares dated 13 July 2020G between JAWC (as the Company), Alamwal Alkhaleejiah Althaniya Company Limited (as Pledgor) and The National Commercial Bank (as Onshore Security Agent); w- Jeddah Sewage Treatment Plant EPC Direct Agreement dated 26 July 2020G between JAWC (as Owner), Saudi Services for Electro Mechanic Works Company (as Contractor) and The National Commercial Bank (as Agent); x- Jeddah Sewage Treatment Plant O&M Direct Agreement dated 26 July 2020G between JAWC (as Owner), Jeddah Althaniya Operation and Maintenance Company (as Contractor) and The National Commercial Bank (as Agent); y- STA Direct Agreement relating to Jeddah Airport 2 Independent Sewage Treatment Plant Project dated 27 July 2020G between JAWC (as the Company), Saudi Water Partnership Company (as SWPC) and The National Commercial Bank (as Agent); and z- SIA Direct Agreement relating to Jeddah Airport 2 Independent Sewage Treatment Plant Project dated 18 August 2020G between JAWC (as the Company), National Water Company (as NWC) and The National Commercial Bank (as Agent).

Table (12.34): Facilities/Financing Letter of Agreement with Banque Saudi Fransi (2019 BSF MARAFIQ FL):

Facilities/Financing Letter of Agreement with Banque Saudi Fransi (2019 BSF MARAFIQ FL)	
Date of Agreement	16/08/1441H (corresponding to 23/12/2019G)
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	a- Procure a Murabaha facility (Tawarroq) ("**Murabaha Facility**") for partial refinancing of the syndicated Murabaha facilities entered into with various banks with a current outstanding amount of SAR 6,796,000,000 in 2010G, 2012G and 2014G; and b- Procure an interest rate swap facility ("**Interest Rate Swap Facility**").
Term	For the Murabaha Facility, the final repayment date is 31/12/2034G. For the Interest Rate Swap Facility, the final repayment date is 31/12/2024G.
Key Obligations	Marafiq is required to ensure that its capital expenditure does not exceed SAR 5,000,000,000 during the grace period (the first five years of the loan) and SAR 1,100,000,000 per year thereafter without prior consent from the lender. Also, Marafiq is required to ensure that the direct/indirect collective shareholding of Saudi Aramco, SABIC, PIF and the Royal Commission in Marafiq does not fall below 50%.
Facility Value	Facility value for the Murabaha Facility is SAR 3,400,000,000. Facility value for the Interest Rate Swap Facility is SAR 105,000,000.
Profit Margin/Commission for the Murabaha Facility	First five years: SAIBOR + 0.70% per annum. From six (6) to ten (10) years: SAIBOR + 0.80% per annum. Thereafter: SAIBOR + 0.90% per annum.
Guarantee Documents	1- Promissory note of SAR 3,400,000,000 by Marafiq. 2- Promissory note of SAR 105,000,000 by Marafiq.

Table (12.35): Master Facilities/Financing Letter of Agreement with Banque Saudi Fransi (2021 MASTER FL) and the Facilities/Financing Letter of Agreement (2021 BSF MARAFIQ FL):

2021 BSF MARAFIQ FL	
Date of Agreement	13/07/1442H (corresponding to 25/02/2021G).
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	The 2021 Master FL provides for various facilities that are being, or may be, procured by Marafiq from Banque Saudi Fransi ("**BSF**"), including overdraft facilities, Murabaha facilities, short term loan facilities, multi-purpose facilities, letter of credit and guarantee facilities, which may be availed by Marafiq by entering into a separate facilities/financing letter of agreement, such as the 2021 BSF Marafiq FL. Under the 2021 BSF Marafiq FL, BSF has agreed to provide Marafiq a multi-purpose facility for financing (a) overdrafts; (b) commodity purchases; (c) trade requirements (through issuance of letters of credit and bank guarantee), etc. The 2021 BSF Marafiq FL remains subject to the terms of 2021 Master FL.
Key Terms	The 2021 Master FL stipulates that if there is change in the persons (including any legal or natural person) who are able to exercise effective control (i.e., control more than half of the voting power of the company or control more than half of the issued share capital of the company) for the date of the 2021 Master FL, then BSF may (in addition to any other rights available to BSF) exercise any of the following rights (at its sole discretion): a- withdraw or cancel any or all of the facilities/financing provided to Marafiq or reduce the authorized limit of a facility; b- alter applicable rates of commission; c- increase the non-commission bearing margin required with respect to any facility/financing; and/or d- demand repayment of all outstanding and related charges upon giving 15 days written notice.
Term	The facilities made available under the 2021 BSF Marafiq FL will expire on 31/12/2023G, unless otherwise agreed or renewed in writing.
Facility Value	SAR 250,000,000 representing the maximum aggregate amount of the multi-purpose facility. The facility has the following sub-limits which are subject to the overall limit of SAR 250,000,000: a- Overdraft Facility: SAR 200,000,000; b- Commodity Murabaha (Tawarroq) Facility: SAR 250,000,000; c- Letter of Credit Facility: SAR 50,000,000; d- Letter of Guarantee Facility: SAR 50,000,000; e- Payment Guarantee Facility: SAR 50,000,000.
Profit Margin/ Commission	For the Overdraft Facility: SAIBOR + 0.55%. For the Tawarroq: SAIBOR + 1.50%. For the Letter of Credit Facility: as per bank's tariff. For the Letter of Guarantee Facility: as per bank's tariff. For the Multiple Bonds Facility: as per bank's tariff. For the Payment Guarantee Facility: as per bank's tariff.
Guarantee Documents	Promissory note of SAR 250,000,000 issued by Marafiq.

Table (12.36): Facilities Letter and Agreement with The Saudi British Bank (SABB), as amended ("SABB Loan Agreement"):

SABB Loan Agreement	
Date of Agreement	20/04/1441H (corresponding to 17/12/2019G).
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	A Murabaha facility (Tawarroq) with a facility limit of SAR 1,500,000,000 for refinancing of the outstanding syndicated facilities ("**Original Murabaha Facility**") in accordance with the terms of the Facilities Letter and Agreement dated 20/04/1441H (corresponding to 17/12/2019G) ("**Original SABB Loan Agreement**"). The Original SABB Loan Agreement was amended pursuant to: a- Facilities Letter and Agreement dated 19/03/1442H (corresponding to 05/11/2020G) ("**Amendment No. 1**"), pursuant to which an additional Murabaha facility with a limit of SAR 500,000,000 was granted to Marafiq for financing working capital requirements ("**Additional Murabaha Facility**"); and b- Facilities Letter and Agreement dated 13/09/1442H (corresponding to 25/04/2021G) ("**Amendment No. 2**"), pursuant to which the Additional Murabaha Facility limit was reduced to SAR 300,000,000 and an additional Guarantees Facility was granted with a facility limit of SAR 200,000,00 ("**Additional Guarantees Facility**").
Key Terms	The general terms and conditions of the SABB Loan Agreement ("**SABB General T&Cs**") provide that if the ownership structure of Marafiq changes, SABB reserves its right to amend the existing facilities by requesting additional guarantees or demanding payment of the amounts due and canceling the limits or suspending the use of the facilities.
Term	Original Murabaha Facility: 15 years. Additional Murabaha Facility: one year from date of transaction. Additional Guarantees Facility: 5 years (extendable).
Facility Value	For Original Murabaha Facility: SAR 1,500,000,000. For Additional Murabaha Facility: SAR 300,000,000. For Additional Guarantee Facility: SAR 200,000,000.
Payment Date	Original Murabaha Facility: 10 years starting from 60 months after the first drawdown. Additional Murabaha Facility: one year from first drawdown.
Profit Margin/Commission	For Original Murabaha Facility: 3m SAIBOR + 0.75% per annum. For Additional Murabaha Facility: SAIBOR + 0.75% per annum. For Additional Guarantees: half of applicable SAMA tariff.
Guarantee Documents	1- Promissory note of SAR 2,000,000,000 issued by Marafiq. 2- SABB General T&Cs.

Table (12.37): Facility Letter with Samba Financial Group (SAMBA) (now, the Saudi National Bank (SNB)), as amended ("SAMBA/SNB FL"):

SAMBA/SNB FL	
Date of Agreement	25/02/1442H (corresponding to 12/10/2020G).
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	Various finance facilities, including: (a) facility for short term loans to finance working capital and trade requirements ("**Facility No. 1**"), (b) facility for issuance of bank guarantees to cover gas supplies ("**Facility No. 2**"), and (c) facility for financing outstanding debts ("**Facility No. 3**") provided under the Facility Letter with Samba Financial Group dated 25/02/1442H (corresponding to 12/10/2020G) ("**Original Samba FL**"). The Original Samba FL was amended and/or renewed between Marafiq and SNB pursuant to the amendment and/or renewal agreement dated 05/05/1443H (corresponding to 09/12/2021G) ("**Amendment Agreement**").
Term	• Facility No. 1 and • Facility No. 2: will expire on 31/07/2022G. • Facility No. 3: up to 15 years.
Key Obligations	The SAMBA/SNB FL primarily contains standard terms tailored to reflect the relevant commercial requirements in relation to each facility being offered therein. However, the Amendment Agreement provides that the legal form of Marafiq must not change without the prior written consent of SNB.
Facility Value	• Facility No. 1: SAR 300,000,000 facility for short term loans to finance working capital requirements; • Facility No. 2: SAR 113,450,625 facility for issuance of bank guarantees; and • Facility No. 3: SAR 1,500,000,000 facility for financing outstanding debts.
Profit Margin/ Commission	• Facility No. 1 (if utilized for short term loans): SAIBOR + 1.0% per annum. • Facility No. 1 (if utilized for advances in the current account): @ base rate = 12% per annum. • Facility No. 1 (if utilized for issuance of sight/usance letters of credit): opening 50% of SAMA Tariff with minimum of SAR 350 per letter of credit; usance 1% per annum. • Facility No. 1 (if utilized for issuance of guarantees, including open-ended payment guarantees): 50% of SAMA Tariff with minimum of SAR 350 per guarantee. • Facility No. 2: 0.25% per annum with minimum of SAR 350 per guarantee. • Facility No. 3: a- SIBOR + 0.70% per annum (1st anniversary – 5th anniversary), b- SIBOR + 0.85% per annum (6th anniversary – 10th anniversary), c- SIBOR + 1.0% per annum (11th anniversary – maturity date).
Guarantee Documents	Promissory note of SAR 1,500,000,000 issued by Marafiq.

Table (12.38): Loan Agreement No. 2754 with Saudi Industrial Development Fund ("Loan Agreement No. 2754"):

Loan Agreement No. 2754	
Date of Agreement	19/08/1437H (corresponding to 26/05/2016G).
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	Financing the production of power generation, water desalination, and seawater cooling.
Term	Approximately ten (10) years.
Key Obligations	No change in the legal entity or persons constituting Marafiq is permitted without the prior written consent of the Saudi Industrial Development Fund.
Loan Value	SAR 900,000,000, with SAR 536,000,000 outstanding as of 09/06/2022G.
Payment Date	Final repayment date of the loan is 15/04/1447H.
Guarantee Documents	Mortgage and Order Note(s).

Table (12.39): Loan Agreement No. 2755 with Saudi Industrial Development Fund ("Loan Agreement No. 2755"):

Loan Agreement No. 2755	
Date of Agreement	19/08/1437H (corresponding to 26/05/2016G).
Borrower	Power and Water Utility Company for Jubail and Yanbu (Marafiq) ("**Marafiq**").
Facility Type/Purpose/ Amount	Financing the Marafiq station for industrial water.
Term	Approximately ten (10) years.
Key Obligations	No change in the legal entity or persons constituting Marafiq is permitted without the prior written consent of the Saudi Industrial Development Fund.
Loan Value	SAR 660,000,000, with SAR 630,000,000 outstanding as of 09/06/2022G.
Payment Date	Final repayment date of the loan is 15/04/1447H.
Guarantee Documents	Mortgage and Order Note(s).

12.8 Real Estate

The Council of Ministers Resolution No. 57 dated 28/03/1420H (corresponding to 12/07/1999G) instructs the Royal Commission to lease the infrastructure facilities of the services in Jubail and Yanbu industrial cities, provided that the ownership of such facilities inures to the Company at the end of the lease period and the Company has the right to own, operate and use the infrastructure facilities it builds. Pursuant to this Resolution, the Company entered into an indefinite master lease agreement with the Royal Commission on 27/10/1423H (corresponding to 01/01/2003G), whereby Marafiq leases several plots and assets owned by the Royal Commission in Jubail and Yanbu industrial cities by entering into subsequent agreements in the agreed form attached to the agreement ("**Master Lease Agreement**"). The Master Lease Agreement was amended on 08/07/1435H (corresponding to 08/05/2014G) to grant the Company a five (5) year grace period to pay the rent and increase the asset lease term from 20 years to 25 years. It was further amended on 02/06/1440H (corresponding to 07/02/2019G) to include the assets and real estate connected with the water services at Ras Al Khair city within the same Master Lease Agreement. The Royal Commission within the same master agreement. The total value of assets leased under the master agreement has been determined at SAR 3,373,000,000. Pursuant to the agreement, ownership of the assets leased by Marafiq shall be transferred upon the expiry of the lease period and after completion of all terms and conditions of the agreement, at no additional costs to the Company, as the Royal Commission is required under the agreement to take all the necessary actions to complete all the necessary documents and perform all required actions to transfer the title of the assets to Marafiq on that date. The agreement includes customary terms and conditions, which include the terms of the sub-lease, delivery and receipt of assets, payment terms and other related terms and conditions. The agreement is subject to the laws and regulations in force in the Kingdom of Saudi Arabia, and any disputes arising therefrom shall be referred to the judicial bodies in the Kingdom of Saudi Arabia for resolution.

The Master Lease Agreement is considered a framework agreement for a number of other lease agreements entered into between the Company and the Royal Commission, whereby the Company leases a number of plots and assets which belong to the Royal Commission in Jubail and Yanbu industrial cities by entering into agreements attached to the Master Lease Agreement in accordance with the form attached to the Master Lease Agreement.

The following table shows the details of the Group lease agreements, including the lease agreements entered into with the Royal Commission outside of the framework of the Master Lease Agreement:

Table (12.40): Summary of the Group's Lease Agreements

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
Master Lease entered into with the Royal Commission								
1.	Master lease agreement	RC	Effective date: 01/01/2003G.	Jubail and Yanbu industrial cities	Indefinite	N/A	RC leases to Marafiq the basic equipment for services as well as assets and lands related thereto in the industrial cities of Jubail and Yanbu.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.
2.	Annex (A) and (D) – Assets lease	RC	• Effective date: 01/01/2003G. • Rental payment starting from: 3- 01/01/2003G for the existing assets; 4- on the day of receipt of future assets. • Payments of rental amounts for lands and assets were deferred for five years, from 2014G until 2018G pursuant to the first amendment.	Jubail and Yanbu industrial cities	• twenty-five (25) years from the effective date. • No renewal mechanism provided under the agreement.	SAR 168,650,000	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
3.	Annex (B) and (C) – Land lease	RC	• Effective date: 01/01/2003G. • Rental payment: beginning of every calendar year. • Payments of rental amounts for lands and assets were deferred for five years, from 2014G until 2018G pursuant to the first amendment. • Marafiq was exempted from paying the rental amounts for utilities lines until the beginning of 2010G.	Jubail and Yanbu industrial cities	• Fifty (50) years from the effective date. • The agreement may be renewed for a similar term or less by mutual written agreement.	• From January 2003G until January 2010G: 8 Halalas per m^2. • From January 2010G onwards: • SAR 1 per m^2.	RC leases to Marafiq certain lands to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.
4.	First amendment to grant a 5-year grace period and to amend the term of the asset lease from 20 years to 25 years.	RC	• Effective date: 08/05/2014G. • (All amendments made pursuant to this first amendment have been reflected above).	-	-	-	-	-

<table>
<tr><th>#</th><th>Agreement</th><th>Lessor</th><th>Effective Date and Rent Payment Date</th><th>Location</th><th>Term/Renewal Mechanism</th><th>Annual Rental (SAR) as per the agreement</th><th>Purpose</th><th>Right of Sub-Leasing/ Assignment</th></tr>
<tr><td>5.</td><td>Second amendment to cover water services in RIC</td><td>RC</td><td>• Effective date: 02/06/1440H.
• Rental payment: after five (5) Hijri years from the effective date (on 01/06/1445H), and the assets shall remain the property of RC during that time.
• Rental payment for lands from handover.</td><td>RIC</td><td>• 25 years for the assets.
• 50 years for the lands.</td><td>Marafiq has not received the annexes related to the list of assets and lands from RC – under negotiations with the Royal Commission.</td><td>RC leases to Marafiq certain lands and assets to manage, operate and maintain water facilities in RIC and provide water services.</td><td>• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent.
• RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.</td></tr>
<tr><td>6.</td><td>Third amendment to cover water services in JCPDI</td><td>RC</td><td>• Effective date: 13/08/1443H (corresponding to 16/03/2022G).
• Rental payment: after five (5) Hijri years from the effective date (on 12/08/1448H), and the assets shall remain the property of RC during that time.
• Rental payment for lands is due from the date of handover.</td><td></td><td>• 25 years for the assets.
• 50 years for the lands.</td><td>Marafiq has not received the Annexes related to the list of assets and lands from RC – under negotiations with the Royal Commission.</td><td>RC leases to Marafiq certain lands and assets to manage, operate, maintain and expand water facilities in JCPDI and provide water services.</td><td>• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent.
• RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.</td></tr>
<tr><td colspan="9">Yanbu Industrial City Leases</td></tr>
</table>

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
7.	Asset lease agreement no. (RCLM-01-A001)	RC	• Effective date: 01/01/2003G. • The term of the lease commences on the day of receipt of the last asset. • Rental payment: beginning of every calendar year. Except for first payment which covers the assets from the date of receipt until the date of signing, to be paid within 30 days from signing. In all cases, the payment of the rental amount will commence on the commercial operation date of such assets.	Yanbu Industrial City	• 25 years • Ownership of the leased assets will be automatic-ally transferred to Marafiq upon the lapse of the term of the lease agreement.	Total cost of assets: 1,526,618,702 Annual cost of rent: 76,330,935	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.
8.	Asset lease agree-ment No. (RCLM-01- A002)	RC	• Effective date: 01 /01/2003G. • The term of the lease commences on the day of receipt of the last asset. • Rental payment: beginning of every calendar year. Except for first payment which covers the assets from the date of receipt until the date of signing to be paid within 30 days from signing. In all cases, the payment of the rental amount will commence on the commercial operation date of such assets.	Yanbu Industrial City	• 25 years • Ownership of the leased assets will be automatic-ally transferred to Marafiq upon the lapse of the term of the lease agreement.	Total cost of assets: 318,801,262 Annual cost of rent: 12,752,050	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the Agreement or any part of it to any entity(s) in KSA after notifying Marafiq in writing of such novation.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
9.	Asset lease agree-ment no. (RCLM-01-A003)	RC	• Effective date: 01 /01/2003G. • The term of the lease commences on the day of receipt of the last asset. • Rental payment: beginning of every calendar year. Except for first payment which covers the assets from the date of receipt until the date of signing to be paid within 30 days from signing. In all cases, the payment of the rental amount will commence on the commercial operation date of such assets.	Yanbu Industrial City	• 25 years • Ownership of the leased assets will be automatic-ally transferred to Marafiq upon the lapse of the term of the lease agreement.	Total cost of assets: 13,118,343 Annual cost of rent: 524,733	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in KSA after notifying Marafiq in writing of such novation.
10.	Asset lease agreement No. (RCLM-01-A004)	RC	• Effective Date commences on the day of receipt of the last asset. • The term of the lease commences on the day of receipt of the last asset. • Rental payment: beginning of every calendar year. Except for first payment which covers the assets from the date of receipt until the date of signing to be paid within 30 days from signing. In all cases, the payment of the rental amount will commence on the commercial operation date of such assets.	Yanbu Industrial City	• 25 years • Ownership of the leased assets will be automati-cally transferred to Marafiq upon the lapse of the term of the lease agreement.	Total cost of assets: 1,162,365 Annual cost of rent: 46,494	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
11.	Asset lease agreement No. (RCLM-01-A005)	RC	• Effective date: the day of receipt of the last asset. • The term of the lease commences on the day of receipt of the last asset. • Rental payment: beginning of every calendar year. Except for first payment which covers the assets from the date of receipt until the date of signing to be paid within 30 days from signing. In all cases, the payment of the rental amount will commence on the commercial operation date of such assets.	Yanbu Industrial City	• 25 years. • Ownership of the leased assets will be automatically transferred to Marafiq upon the lapse of the term of the lease agreement.	Total cost of assets: 510,964,539 Annual cost of rent: 20,438,581	RC leases to Marafiq certain assets to carry out its activities.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.
Jubail Industrial City Leases								
12.	Asset lease agreement No. 345-E21A	RC	Effective date: the date of receipt of the asset(s) (on 12/02/2011G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agree-ment.	84,450	RC leases to Marafiq a sanitary wastewater treatment plant, potable water network and firefighting system for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
13.	Asset lease agreement No. 345-E21B	RC	Effective date: the date of receipt of the asset(s) (on 30/05/2009G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	4,817,081	RC leases to Marafiq the basic equipment for the return pipelines of the seawater cooling network in Jubail for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.
14.	Asset lease agreement No. 345-E21C	RC	Effective date: the date of receipt of the asset(s) (on 02/05/2012G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	6,273,770	RC leases to Marafiq the second part of the basic equipment of the seawater cooling network in Jubail and the mechanical and electrical energy devices necessary to operate Jubail's network for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
15.	Asset lease agreement No. 345-E21D	RC	Effective date: the date of receipt of the asset(s) (on 27/03/2010G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	15,524,120	RC leases to Marafiq the basic equipment for the return pipelines of the seawater cooling network in Jubail and the mechanical and electrical energy devices necessary to operate Jubail's network for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
16.	Asset lease agreement No. 345-E21E	RC	Effective date: the date of receipt of the asset(s) (on 19/05/2004G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	19,521,561	RC leases to Marafiq the following assets: 1- A site to prepare the infrastruc-ture network. 2- Expansion of the production capacity of the industrial seawater cooling pump network and construct-ion of Jubail facilities. 3- Seawater cooling system in Jubail. 4- Potable water system in Jubail. 5- Firefighting system in Jubail. 6- Sanitary wastewater network system in Jubail. 7- Industrial waste system in Jubail. 8- External electrical works of the network in Jubail. 9- Variety work for the networks in Jubail. 10- SEC transfor-mer building.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
17.	Asset lease agreement No. 345-E21G	RC	Effective date: the date of receipt of the asset(s) (on 17/04/2008G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	7,026,815	RC leases to Marafiq the following assets: 1- The pipes for the seawater cooling network in Zone A in Jubail. 2- The seawater cooling pump network and faciliti-es in Jubail. 3- The system for the seawater cooling network in Zone A in Jubail.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.
18.	Asset lease agreement No. 345-E21H	RC	Effective date: the date of receipt of the asset(s) (on 02/05/2012G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	3,276,930	RC leases to Marafiq the following assets: 1- First phase of the potable water network in Jubail. 2- First phase of the firefighting network in Jubail. 3- First phase of the industrial waste system in Jubail. 4- First phase of the sanitary wastewater network in Jubail. 5- First phase of the concrete bases to support the seawater cooling network in Jubail. 6- Miscellaneous works on the infrastructure in Jubail.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
19.	Asset lease agreement No. 345-E21J	RC	Effective date: the date of receipt of the asset(s) (on 17/12/2012G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	2,455,445	RC leases to Marafiq the following assets: 1- Second phase of the potable water network and systems in Jubail. 2- Second phase of the industrial waste networks and systems in Jubail. 3- Second phase of the seawater cooling systems and networks in Jubail.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.
20.	Asset lease agreement No. 345-E21K	RC	Effective date: the date of receipt of the asset(s) (on 17/11/2007G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	1,367,651	RC leases to Marafiq the following assets: 1- Third phase of the potable water network system in Jubail. 2- Firefighting system. 3- Third phase of the sanitary wastewater network system in Jubail. 4- Third phase of the industrial wastewater network and system in Jubail. 5- The mechanical systems and equipment necessary for the third phase of the infrastructure network in Jubail.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
21.	Asset lease agreement No. 345-E21L	RC	Effective date: the date of receipt of the asset(s) (on 03/04/2006G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	1,579,997	RC leases to Marafiq the following assets: 1- A potable water network for part of the industrial zone in Jubail/ firefighting system. 2- Firefighting system for the existing pipes. 3- Firefighting system for the future pipes. 4- Sanitary wastewater network system for part of the industrial zone in Jubail. 5- Industrial wastewater system for part of the industrial zone in Jubail. 6- The necessary pipes for the infrastructure networks for part of the industrial zone in Jubail. 7- The electrical equipment necessary for the infrastructure network for part of the industrial zone in Jubail. 8- Construction works. 9- Precision devices.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
22.	Asset lease agreement No. 345-E21M	RC	Effective date: the date of receipt of the asset(s) (on 03/12/2007G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	7,510,976	RC leases to Marafiq a seawater cooling network with diameters between 1.5 m and 4 m and digging and installation works in Jubail for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.
23.	Asset lease agreement No. 345-E21N	RC	Effective date: the date of receipt of the asset(s) (on 22/11/2011G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	1,434,040	RC leases to Marafiq a potable water and industrial wastewater pipes network and digging and installation works in Jubail for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
24.	Asset lease agreement No. 984-E01B	RC	Effective date: the date of receipt of the asset(s) (on 22/11/2011G).	Jubail Industrial City	• Term is 25 years. • No renewal mechanism provided under the agreement.	238,335	RC leases to Marafiq certain assets for the benefit of Marafiq.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA.
Land Leases								
25.	Land lease agreement No. 03-09-345-D19 for the erection of a co-generation plant in Jubail (JWAP Head-lease)	RC	• Effective date: 30/05/2007G. • Rental payment: beginning of every Gregorian year. • Marafiq was exempted from its obligations to pay the rental amount due for the lands and assets from the effective date until the beginning of 2010G.	Jubail Industrial City Total area: 5,200,000 m^2	• From 30/05/2007G until the expiry of the master lease. • This agreement may be renewed for a similar term or less by mutual written agreement.	Rental amount: SAR 1 per m^2 Utility fees: prevailing fees in the industrial cities	RC leases to Marafiq the land to design and construct a gas station for water and electricity production.	• Marafiq cannot sub-lease any of the leased lands or assets to any third parties, except for the companies that Marafiq establishes solely or with other parties for the purpose of implementing its activities and after obtaining RC's written consent. • RC has the right to assign the agreement or any part of it to any entity(s) in the KSA after notifying Marafiq in writing of such novation.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
26.	Industrial land lease agreement No. RCL I-7235 for a power and water facility in Yanbu	RC	• Effective date: 04/07/1432H. • Rental payment: every year.	Yanbu Industrial City	35 Hijri years (may be renewed for similar term(s) under the terms and conditions agreed upon by the parties).	Annual rent: 6,702,383 (RC has the right to revise the rent amount at its discretion every ten years provided that the rent increase does not exceed 50% of the previous rent amount).	RC leases to Marafiq land (total area: 1,489,418.42 m^2) to construct and operate a power and water plant.	Marafiq may not sub-lease or assign the leased land without obtaining RC's prior written consent.
27.	Land lease agreement No. 001-550054 for the construc-tion of residential units in Jubail	RC	• Effective date: 06/09/1433H. • Construction to be completed within six (6) Hijri years from the date of conclusion of the agreement. • Rental payment: every year.	Jubail Industrial City	30 Hijri years (may not be renewed by any party).	561,588 (Marafiq has the right to purchase the land upon completion of all construction works, receipt of such works by RC and obtaining an occupancy certificate for the residential unit(s) completed on the leased land(s). The purchase price shall be the equivalent twenty times the annual rental amount agreed between the parties, which shall be paid in advance as a prerequisite for the issuance of the title deed by the RC for the benefit of Marafiq's Saudi employees only. If Marafiq does not exercise its right to purchase the land, the ownership of the lands and the building will remain with RC).	RC leases to Marafiq certain lands to construct residential units in Jubail.	Marafiq may assign the land to its Saudi employees only after the development work is completed and received by RC and an occupancy certificate for the unit(s) completed on the leased land(s) has been obtained.

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
28.	Land lease agreement No. 012-W02 for Marafiq's new offices in Jubail.	RC	Effective date: 03/08/1430H. Construction to be completed within 170 weeks. Rental payment: every year.	Jubail Industrial City	30 Hijri years, may be renewed.	364,800. Marafiq will provide RC with a bank guarantee for 100% of the annual lease amount, which will be decreased to 15% after issuance of the occupancy certificate. The bank guarantee shall remain valid for 120 days after the end of the agreement.	RC leases land to Marafiq for Marafiq's new offices in Jubail (total area: 18,240 m²).	Marafiq may not sub-lease or assign the leased land without obtaining RC's prior written consent.
29.	Land lease agreement No. 329-S92 for construction of Marafiq's HQ in Jubail.	RC	Effective date: 11/04/1438H. Rental payment: every year.	Jubail	5 Hijri years. May be renewed.	4,500,000	RC leases land to Marafiq for the construction of Marafiq's HQ in Jubail.	Marafiq may not sub-lease or assign the leased land without obtaining RC's prior written consent.
Sub-leases								
30.	Land sub-lease agreement between the Company and Tawreed according to the Master Lease Agreement between the Company and the RC	The Company (the main lessor is RC according to the Master Lease Agreement)	Effective date: from the closing date (which is the date where Tawreed and JWAP agree that all terms have been fulfilled or settled according to the Power and Water Purchase Agreement entered into between Tawreed and JWAP dated 15 January 2007G, amended on 14 May 2007G, 04 June 2007G and 20 June 2009G.	Jubail	Effective from the closing date and remains effective for twenty (20) years from the commercial operation date of the project (i.e., 28/10/2010G).	Please refer to Table 12.40 ("**Land lease agreement No. 03-09-345-D19 for the erection of a co-generation plant in Jubail (JWAP Head-lease)**").	RC leases land to Marafiq for installation and design of a gas station to produce water and electricity. The agreement was novated and assigned by Marafiq to Tawreed.	Please refer to Table 12.40 ("**Land lease agreement No. 03-09-345-D19 for the erection of a co-generation plant in Jubail (JWAP Head-lease)**")

#	Agreement	Lessor	Effective Date and Rent Payment Date	Location	Term/Renewal Mechanism	Annual Rental (SAR) as per the agreement	Purpose	Right of Sub-Leasing/ Assignment
31.	Land sub-lease agreement between Tawreed and JWAP according to the Master Lease Agreement between the Company and the RC	Tawreed (the main lessor is RC according to the Master Lease Agreement)	Effective date: from the closing date (which is the date where Tawreed and JWAP agree that all terms have been fulfilled or settled according to the Power and Water Purchase Agreement entered into between Tawreed and JWAP dated 15 January 2007G, amended on 14 May 2007G, 04 June 2007G and 20 June 2009G.	Jubail	Effective from the closing date, and remains effective for twenty (20) years from the commercial operation date of the project (i.e., 28/10/ 2010G).	Rental amount: SAR 1 per m²	RC leases land to Marafiq for installation and design of a gas station to produce water and electricity. The agreement was novated and assigned by Marafiq to Tawreed, and the agreement was then novated and assigned by Tawreed to JWAP.	JWAP cannot sub-lease or assign any of the leased lands or assets to any third parties without obtaining Tawreed's prior written consent, with the exception of JWAP's right to assign any of its rights or obligations under the agreement to any of JWAP's financiers pursuant to a financing agreement entered into between JWAP and any of its financiers or their representatives. Tawreed cannot sell, assign or novate any of its rights or obligations under the agreement without obtaining JWAP's prior written consent.

* The plant was sub-leased to Tawreed on 16/06/2007G, which in turn sub-leased it to JWAP on 17/06/2007G under the PWPA between the two companies.

Source: The Company

The Company owns property in Jubail under Deed No. 32/30 dated 23/04/1430H with a book value of SAR 24,569,660, and the Company uses the property for the purposes of extending Tawreed gas pipelines. The Group does not own any other real estate.

12.9 Intangible Assets Owned by the Group

There are no material intangible assets that are significant to the Group or related to its business or profitability except for the Company's trademark. Therefore, the Company and its Subsidiaries do not rely on any intangible assets related to their business. Although the Company may rely on its trademark, which has been registered as indicated below, for the utility services it provides in the industrial cities it operates in, its Subsidiaries do not rely primarily on the trademarks registered in the Company's name. This is due to the nature of their businesses and lack of need to register any trademarks in the Kingdom or abroad as they are not highly dependent on them. However, they depend on the projects they develop or own percentages thereof. The Company's trademark is protected by being registered with the competent authority and is used within its specified legal scope to identify the Company.

It should be noted that both the Company and JWAP have registered their trademarks with the Saudi Authority for Intellectual Property (SAIP). The Company's other Subsidiaries do not have any registered trademarks excluding JWAP. Furthermore, the Group has not registered any trademarks outside the Kingdom.

The following are the main details of all registered trademarks of the Company and JWAP:

Table (12.41): Details of Trademarks of the Company and JWAP Registered with SAIP and MOC in the Kingdom of Saudi Arabia.

Trademark Owner	Logo	Trademark Registration Certificate No.	Trademark Category	Protection Expiry Date
Marafiq	مـرافـق MARAFIQ	143303250	11	12/03/1453H
Jubail Water and Power Company (JWAP)	جواب JWAP	142806359	16	25/06/1448H

12.10 Claims and Litigation

The Directors declare that there are no ongoing or threatened lawsuits, claims, complaints or investigation proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company or its Subsidiaries. It should be noted that, as of 09 August 2022G, the Company and its Subsidiaries were parties to eight non-material lawsuits that arose during the normal course of such companies' operations. These lawsuits include commercial and labor claims, as well as other lawsuits. There are seven non-material lawsuits filed against the Company, with a total estimated value of SAR 4,161,695.86 and one non-material labor lawsuit filed against MaSa for the termination of an employment contract, with an estimated value of SAR 961,752.

Furthermore, there is a potential lawsuit between JWAP and Tawreed (subsidiaries of the Company) over a claim relating to a change in law under the PWPA entered into between them. Where JWAP has incurred additional costs as a result of the Saudi Special Security Forces directives requiring a number of companies in the sector in general, including JWAP, to install a seawater barrier. JWAP incurred approximately SAR 6,600,000 as a result and seeks compensation from Tawreed for these additional expenses. However, Tawreed rejected this claim under the guidance of the three buyers who signed the PWPA on 06/04/2009G (Marafiq, Tawreed, SEC and SWCC). If an agreement is not reached and the claim is not settled, it may lead to litigation between the two parties.

It should be noted that the Company made no provision for such cases and claims based on its analysis of the relevant issues and the risks associated with them, as well as the possibility of them being successful.

12.11 Insurance Policies

The Company maintains insurance policies covering various types of risks to which the Group may be exposed. The following table shows the key details of the insurance policies held by the Group:

Table (12.42): The table below includes a summary of the insurance policies held by the Group

Policy No.	Type of Coverage	Insurer	Maximum Insurance Coverage (SAR)	Coverage Period and Expiration Date
Insurance Policies of the Company				
614529	Professional Liability Insurance (Directors' and Officers' Liability Insurance)*	Tawuniya	SAR 50,000,000 per incident	01 May 2022G until 30 April 2023G
P/102/22/5021/2022/501/24	Motor Insurance	Saudi Arabian Cooperative Insurance Company (SAICO)	A maximum of SAR 10,000,000 per incident for third-party liability (physical injury and property damage) A maximum of SAR 5,000 per incident for medical expenses arising from any incident	01 May 2022G until 30 April 2023G

Policy No.	Type of Coverage	Insurer	Maximum Insurance Coverage (SAR)	Coverage Period and Expiration Date
P/102/22/5021/2022/501/47	Motor Insurance	Saudi Arabian Cooperative Insurance Company (SAICO)	A maximum of SAR 10,000,000 per incident for third-party liability (physical injury and property damage) A maximum of SAR 5,000 per incident for medical expenses arising from any incident	01 May 2022G until 30 April 2023G
P/102/22/5021/2022/501/48	Motor Insurance	Saudi Arabian Cooperative Insurance Company (SAICO)	A maximum of SAR 10,000,000 per incident for third-party liability (physical injury and property damage) A maximum of SAR 5,000 per incident for medical expenses arising from any incident	01 May 2022G until 30 April 2023G
7300022800	Medical Insurance	Bupa	A maximum of SAR 500,000 per year per person	15 September 2021G to 15 September 2026G
614483	All-Risk Property Insurance	Tawuniya	SAR 600,000,000 for all property risks. SAR 225,000,000 for mechanical failures	01 May 2022G to 30 April 2023G
614462	Contractor's Machinery and Equipment Insurance	Walaa Cooperative Insurance Company	N/A	01 May 2022G to 30 April 2023G
614771	Marine Cargo Insurance	Tawuniya	N/A	01 May 2022G to 30 April 2023G
Insurance Policies of the Group				
P/102/22/5021/2022/501/49	Motor Insurance	Saudi Arabian Cooperative Insurance Company (SAICO)	A maximum of SAR 10,000,000 per incident for third-party liability (physical injury and property damage) A maximum of SAR 5,000 per incident for medical expenses arising from any incident	01 May 2022G to 30 April 2023G
MIL/SWRO/MAR-21-06	All-Risk, Property and Mechanical Breakdown Insurance	MIL	USD 973,333 per incident	01 July 2021G to 30 June 2022G
6114464	Contractors' All Risks (CAR) Insurance	Tawuniya	A maximum of SAR 100,000,000 per year per incident	01 May 2022G to 30 April 2023G
614450	General Liability Insurance	Tawuniya	SAR 100,000,000	01 May 2022G to 30 April 2023G
614477	All-Risk Property Insurance	Tawuniya	Coverage varies depending on damage from SAR 5,000 and SAR 2,500,000	01 May 2022G to 30 April 2023G
614579	Employee Liability Insurance	Tawuniya	SAR 5,000,000 per incident	01 May 2022G to 30 April 2023G
614580	General Liability Insurance	Tawuniya	SAR 50,000,000 per incident	01 May 2022G to 30 April 2023G
P062-CGL-TERO-13754472/R1	General Liability Insurance	Tawuniya	SAR 100,000,000	01 May 2022G to 30 April 2023G
Insurance Policies of JWAP				

Policy No.	Type of Coverage	Insurer	Maximum Insurance Coverage (SAR)	Coverage Period and Expiration Date
E0-22-500-000023	Professional Liability Insurance (Directors' and Officers' Liability Insurance)	Walaa Cooperative Insurance Company	SAR 50,000,000	01 January 2022G to 31 December 2022G
P0720-TPL-TERO-12727318/R1	Third-party Insurance	Al Rajhi Takaful	USD 53,374.01	01 July 2021G to 30 June 2022G
N/A[25]	Property All Risks and Business Interruption Insurance	Al Rajhi Takaful	USD 750,000,000 (equivalent to SAR 2,812,500,000)	01 June 2022G to 31 May 2023G
B0509BOWTL2250660	Political Risk Reinsurance	Marsh	USD 200,000,000 (equivalent to SAR 750,000,000)	01 June 2022G to 01 June 2023G
Insurance Policies of MaSs				
E1-22-300-000243/0	Motor Insurance	Walaa Cooperative Insurance Company	A maximum of SAR 10,000,000 for third-party liability (physical injury and property damage)	01 May 2022G to 30 April 2023G
E1-22-300-000244/0	Motor Insurance	Walaa Cooperative Insurance Company	A maximum of SAR 10,000,000 for third-party liability (physical injury and property damage)	01 May 2022G to 30 April 2023G
614335	Contractor's Machinery and Equipment Insurance	Tawuniya	SAR 100,000 for machinery located in specific locations stipulated in the insurance policy SAR 10,000 per accident for machinery manufactured 10 years prior to the date of the insurance policy	01 May 2022G to 30 April 2023G
614773	Marine Cargo Insurance	Tawuniya	A maximum annual limit of SAR 20,000,000 (a maximum incident limit of SAR 5,000,000)	01 May 2022G to 30 April 2023G
614353	Mechanical Breakdown Insurance	Tawuniya	N/A	01 May 2022G to 30 April 2023G
Insurance Policies of Jeddah Althaniya Water Company				
607784	Contracted Property and Asset Insurance, Third-party Liability Insurance and Delay in Start-up Insurance	Tawuniya	USD 180,000,000 for Contracted Property and Asset Insurance. USD 10,000,000 for Third-party Liability Insurance. USD 24,397,333 for Delay in Start-up Insurance.	31 March 2020G to 01 October 2022G
607888	Marine Cargo Insurance	Tawuniya	USD 2,500,000 per damaged ship or vessel, and if the damage cost is higher, the limit shall be raised based on the cost of the first loss. USD 16,794,666 against delay in initiating insurance.	31 March 2020G to 01 October 2022G
608357	Terrorism and Sabotage Insurance	Tawuniya	USD 100,000,000	30 November 2019G to 01 October 2022G
Insurance policies of Marafiq Water and Power Supply Company (Tawreed)				

25 The insurance policy has been renewed but has yet to be issued. JWAP is currently working on having it issued, and the table will be updated as soon as it is obtained.

Policy No.	Type of Coverage	Insurer	Maximum Insurance Coverage (SAR)	Coverage Period and Expiration Date
B0509BOWT22150748	Political Violence Insurance	Chubb Arabia Cooperative Insurance Company	SAR 375,000,000 for business interruption	01 June 2022G to 01 June 2023G

Source: The Company

* The Company is currently trying to obtain Public Offering of Securities Insurance (POSI) for Directors and Senior Executives, and it is expected that this policy will be issued before the Company's shares are listed.

12.12 Zakat and Tax

The Company and its Subsidiaries in the Kingdom of Saudi Arabia are subject to ZATCA applicable laws. The Company and each of its Subsidiaries submitted their Zakat returns separately since their incorporation until the end of 2021G.

The Company and its Subsidiaries received ZATCA Zakat certificates for 2021G. However, if there is no final Zakat assessment, there is a risk that ZATCA may return to any previous year up to five (5) years, challenge the submitted returns and demand that the Company or its subsidiaries pay additional Zakat amounts.

The table below includes the consolidated Zakat and tax provisions for the Company and its Subsidiaries (which include the Material Subsidiaries, JWAP, MaSa and Tawreed) as at 31 December 2019G, 2020G and 2021G.

Table (12.43): Consolidated Zakat and Tax Provisions for the Company and its Subsidiaries as at 31 December 2019G, 2020G and 2021G

The Company and its Consolidated Subsidiaries	2019G (SAR)	2020G (SAR)	2021G (SAR)
Zakat and tax provisions	21,940,000	38,127,000	41,636,000
Total	**21,940,000**	**38,127,000**	**41,636,000**

Zakat and Tax Position of the Company

In 2019G, ZATCA issued a letter to the Company confirming its approval of the Zakat returns submitted for the years 2007G until 2018G. The letter confirmed that the Company's position regarding Zakat returns for this period is considered to be final. ZATCA reserves the right to reopen the assessment in the event that new information emerges. Taking into account the limitation periods in accordance with the laws and regulations in force, the Company's Zakat assessments from its incorporation date until 2014G are considered final. In 2021G, ZATCA's Zakat assessment of the Company for 2015G, 2016G and 2017G was SAR 99.8 million in total. The Company objected to this amount in full before the Committee for the Settlement of Tax Violations and Disputes based on the Authority's letter mentioned above, and the absence of any new information in this regard, in addition to notes on how to calculate and determine the additional assessment. The Committee is looking into the matter as at the date of this Prospectus. The Company shall bear these claims in the event that the objection does not succeed. It should be noted that the Company made no provision for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. The Company shall bear such claims in the event that the objection does not succeed. The Company has submitted its Zakat and tax returns up through the end of 2021G. Accordingly, it has obtained Zakat certificates for these years. However, the Company has not obtained the final Zakat and tax assessments for the years 2015G until 2021G. For more information on the risks related to Zakat and tax, please refer to Section 2.1.28 ("**Risks related to Zakat claims**") of this Prospectus. It should be noted that Marafiq is currently subject to Tax in respect of the shares owned indirectly by Saudi Aramco (owned through SAPCO), and subject to Zakat in respect of shares owned by other Saudi shareholders as per applicable laws. In accordance with the Royal Decree No. (M/153) dated 05/11/1441H (corresponding to 26/06/2020G), Marafiq will, from the date of the Listing, no longer be liable to Tax on its shareholding that is attributable to shares owned, directly or indirectly, by Saudi Aramco, and will be wholly subject to Zakat. As a result, this change will positively impact Marafiq's net income at Listing, whereby the provisions for deferred tax (in an amount of SAR 140 million as at 30 June 2022G) will be reversed.

Zakat and Tax Position of JWAP

JWAP has obtained the final Zakat and tax assessments from ZATCA for all financial years since its incorporation until the financial year ending 31 December 2012G. The years 2013G to 2016G are considered to have expired due to the expiration of the limitation period. In 2021G, ZATCA submitted an assessment to JWAP for 2018G, demanding that JWAP pay a total of SAR 160.53 million in Zakat, income tax and withholding tax. JWAP objected to this amount before the Committee for the Settlement of Tax Violations and Disputes, and a settlement was agreed with the committee to reduce the claim to an amount of SAR 14.4 million. JWAP has not obtained final assessments for 2017G and 2019G to 2021G. JWAP will bear any additional claims or assessments raised by ZATCA for such years in the event it is unsuccessful in objecting to them. It should be noted that JWAP made no provision for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. For more information on the risks related to Zakat and tax, please refer to Section 2.1.28 ("**Risks related to Zakat claims**") of this Prospectus.

Zakat and tax position of Tawreed

Tawreed has obtained the final Zakat and tax assessments from ZATCA for all financial years since its incorporation until the financial year ending 31 December 2014G and the financial year ended 31 December 2017G. In 2021G, ZATCA's Zakat assessment of Tawreed for 2015G and 2016G was SAR 2.2 million in total. Tawreed objected to the method for calculation and determination of this amount in full before the Committee for the Settlement of Tax Violations and Disputes, which is looking into the matter as at the date of this Prospectus. Tawreed will bear such claims if it is unsuccessful in objecting to them. It should be noted that Tawreed made no provision for this dispute based on its analysis of the issue and the risks associated with it, as well as the possibility of the objection being successful. Tawreed has not obtained final assessments for 2018G to 2021G. Tawreed will bear any additional claims or assessments raised by the ZATCA for such years if it is unsuccessful in objecting to them. For more information on the risks related to Zakat and tax, please refer to Section 2.1.28 ("**Risks related to Zakat claims**") of this Prospectus.

Zakat and tax position of MaSa

MaSa has not received final Zakat assessments since its incorporation as at the date of this Prospectus, and there is currently no dispute between MaSa and ZATCA. For more information on the risks related to Zakat and tax, please refer to Section 2.1.28 ("**Risks related to Zakat claims**") of this Prospectus.

12.13 Summary of Bylaws

Section One: Incorporation of the Company

Article 1 Incorporation

Established pursuant to Royal Decree No. M/29 dated 21/07/1421H and the bylaws, a Saudi joint stock company named the Power and Water Utility Company for Jubail and Yanbu (Marafiq) and referred to in the bylaws as (the "**Company**").

Article 2 Formation of the Company

The Company shall have a legal entity and have an independent financial liability and full capacity to achieve its objectives from the date of the issuance of the Council of Ministers Resolution declaring the incorporation of the Company.

Article 3 Objects of the Company

The main objects of the Company are water supply, sewage activities, waste management and treatment, electricity, gas, steam and air conditioning supply, process industry and construction. The Company may perform any necessary or supplementary work for these purposes, including the importation of materials, etc. The Company may also provide such services in all regions of the Kingdom, with an obligation to provide such services to all beneficiaries in the industrial cities of Jubail and Yanbu.

Article 4 Participation and Ownership in Companies

The Company may have an interest or own stocks or shares in existing bodies or companies. It may also establish limited liability or closed joint-stock companies on its own, provided that the capital is no less than SAR (5) million. It may also own stocks and shares in other existing companies and merge with them, or may participate with others in the establishment of joint-stock or limited liability companies, after fulfilling the legal and regulatory requirements in this regard. The Company may also dispose of these shares or stocks, provided that this does not include brokerage.

Article 5 Head Office of the Company

The head office of the Company is located in Jubail Industrial City. The Board of Directors may establish branches and offices inside or outside the Kingdom to carry out its business or provide it with ongoing services.

Article 6 Term of the Company

The term of the Company is fifty Gregorian years, starting from the issue date of the Council of Ministers Resolution announcing its incorporation. This term may be extended for a similar period(s) or other shorter periods by a resolution of the Extraordinary General Assembly at least one year before the end of its term.

Article 7 Capital

The capital of the Company is two billion, five hundred million Saudi Riyals (SAR 2,500,000,000), divided into two hundred and fifty million (250,000,000) shares, all of which are of equal value, with a nominal value of ten Saudi Riyals (SAR 10) per share. All shares are ordinary cash shares.

Article 8 Shares

The founders subscribed to all the Company's cash shares and all the cash amounts paid out of the share capital were deposited in the Company's name in a licensed bank in the Kingdom.

Article 9 Sale of Partly Paid-up Shares

If a shareholder fails to pay the remaining value of the share on the specified dates, the Board may, after notifying such shareholder by registered mail sent to their address recorded in the shareholder register, sell such share in a public auction or in the capital market, as the case may be, in accordance with the rules set by the competent authority. However, the defaulting shareholder may, up until the date set for the auction or sale, pay the amount due in addition to any expenses incurred by the Company in this regard. If the shares are sold by public auction, the Company shall collect the amounts due thereto from the proceeds and shall return the remainder to the shareholder. If the sale proceeds are insufficient to cover the amounts due, the Company may collect such amounts from all of the shareholder's funds. The Company shall cancel the sold share and give the purchaser a new share bearing the number of the cancelled share, and indicate such in the shareholder register.

Article 10 Issuance of Shares

Shares are nominal and may not be issued in an amount less than the nominal value. However, shares may be issued at a premium, and in this case the premium shall be added as a separate item under the shareholders' rights and may not be distributed between the shareholders as profits. the Company cannot have fractional shares. If a share is jointly owned by several persons, such persons must select one of them to represent them in exercising the rights attached to such share. Such persons shall be jointly liable for the obligations arising from the ownership of the share.

Article 11 Shareholder Register

The Company's shares shall be traded by recording them in the shareholder register prepared by the Company or by the party contracted by the Company for such purpose. The shareholder register shall include the names, nationalities, professions, places of residence and addresses of the shareholders in addition to share numbers and the paid-up portion thereof. Shares entered into such register shall be marked. Ownership of a share shall only be deemed transferred by the Company or others from the date the share is recorded in the register. If the Company is listed in the Capital Market, the Company's shares shall be traded in accordance with the Capital Market Law and its implementing regulations.

Subscription to shares and the ownership thereof mean that the shareholder accepts the Company's Bylaws and complies with the resolutions adopted by the Shareholder Assembly in accordance with the provisions of these Bylaws, whether such shareholder is present or absent and whether they agree or disagree with such resolutions.

Article 12 Debt Instruments

1- The Company may, in accordance with the relevant laws and regulations and pursuant to a resolution of the Extraordinary General Assembly, issue tradable debt instruments of any form, whether in Saudi Riyals or any other currency, whether inside or outside the Kingdom of Saudi Arabia, such as bonds and Sukuk. The Extraordinary General Assembly may authorize the Board of Directors to issue these debt instruments, including bonds and Sukuk, whether in part or in several parts, or through a series of issues under one or more programs established from time to time by the Board of Directors, at the times and in the amounts and under the conditions approved by the Board of Directors. The Board of Directors shall have the right to adopt all necessary measures for their issuance.

2- The Company may also, pursuant to a resolution of the Extraordinary General Assembly, issue debt or financing instruments convertible into shares after the issuance of a resolution by the Extraordinary General Assembly wherein the maximum number of shares that may be issued in return for such instruments or Sukuk is determined, whether issued at the same time or through a series of issuances or through one or more debt or financing instrument programs. The Board of Directors may, without having to obtain a new approval from the Extraordinary General Assembly, issue new shares in return for such instruments or Sukuk whose holders request that they be converted, immediately after the end of the conversion request period set for such instruments or Sukuk. The Board of Directors shall adopt the necessary measures to amend the Company's Bylaws regarding the number of issued shares and the capital. The Board must announce the completion of measures taken for each increase in the capital as prescribed in the Bylaws for announcing resolutions of the Extraordinary General Assembly.

Article 13 Capital Increase

1- The Extraordinary General Assembly may decide to increase the Company's capital provided that the original capital of the Company has been paid in full. It shall not be a condition that the share capital has been paid in full if the unpaid portion thereof relates to shares issued for converting debt instruments or financing bonds into shares and the term prescribed for the conversion of such has not yet ended.

2- The Extraordinary General Assembly may, in all cases, allocate the Shares issued upon the increase of the capital, or a part thereof, to the employees of the Company, its Subsidiaries or all or some of them. Shareholders may not exercise pre-emptive rights when the Company issues shares designated for employees.

3- Shareholders shall, upon the issuance of a capital increase resolution by the General Assembly approving the capital increase, have a pre-emptive right to subscribe to the new shares issued for cash shares. Such shareholders shall be notified of their pre-emptive rights, the capital increase resolution, the subscription terms and subscription period, including the start and end dates thereof, by way of publication in a daily newspaper or by registered mail.

4- The Extraordinary General Assembly may suspend shareholders' pre-emptive rights to subscribe to the capital increase for cash shares or offer pre-emptive rights to non-shareholders in cases that are deemed to be in the interest of the Company.

5- Shareholders shall be entitled to sell or assign their pre-emptive rights during the period from the issuance of the General Assembly's resolution approving the capital increase until the last day for subscription to the new shares associated with these rights, in accordance with the guidelines established by the competent authorities.

Subject to the provisions of Paragraph (4) above, the new shares shall be distributed to the holders of pre-emptive rights that have expressed their desire to subscribe in proportion to their existing rights out of the total pre-emptive rights resulting from the capital increase, provided that the number of shares distributed to those shareholders does not exceed the number of new shares for which they applied. The remaining new shares shall be distributed to the holders of pre-emptive rights that requested more than their respective shares, in proportion to their rights based on the total pre-emptive rights resulting from the capital increase, provided that they do not receive more new shares than they requested. The remaining shares shall be offered to third parties unless otherwise provided by the Extraordinary General Assembly or the Capital Market Law.

Article 14 Preferred Shares

The Company's Extraordinary General Assembly may, in accordance with the rules established by the competent authority, issue preferred shares or decide to purchase the same, convert ordinary shares into preferred shares or convert preferred shares into ordinary shares. Preferred shares shall not grant the right to vote in General Assemblies. Such shares shall entitle their holders to a higher percentage of the Company's net profits than the holders of the ordinary shares, after deducting the amounts to be set aside for the statutory reserve.

Article 15 Company's Purchase, Sale and Pledge of its Shares

The Company may buy and sell its ordinary or preferred shares in one or several stages. The Company may also buy its shares for use as treasury shares in accordance with the controls set by the competent authority. The Company may pledge its shares as a debt guarantee in accordance with the controls set by the competent authority. The shares purchased by the Company shall not have voting rights in shareholder assemblies.

Article 16 Capital Reduction

The Company's capital may, under a resolution of the Extraordinary General Assembly, be reduced, based on acceptable reasons and a proposal by the Board, if it exceeds the Company's needs or if the Company sustains losses. In the latter case only, the share capital may be reduced below the limit set in Article 54 of the Companies Law. Such resolution shall only be issued after reading the Auditor's report on the reasons for such reduction, the Company's obligations and the effect of the reduction on such obligations, taking into account the Companies Law.

Section Two: Management of the Company

Article 17 Board of Directors

The Company shall be managed by a Board of Directors composed of seven (7) Directors appointed by the Ordinary General Assembly for a period of three years, and nominated through cumulative voting.

Article 18 Authorities of the Board

a- Without prejudice to the powers reserved for the General Assembly, the Board shall have the widest authority in managing the Company in order to achieve its objectives inside and outside the Kingdom of Saudi Arabia, including, but not limited to, the following:

- Representing the Company in its relations with third parties and governmental or private entities, including but not limited to, civil rights bodies, the police, chambers of commerce and industry, private entities, companies and institutions of all kinds, treasuries, all government financing funds and institutions of various titles and functions, as well as financial institutions of all kinds.
- Collecting, paying, declaring, claiming, defending, pleading, disputing and settling on behalf of the Company, accepting appeals against judgments, requesting execution of judgments and collecting judgment proceeds.
- Disposing of the Company's assets, property and real estate, exercising the right to purchase and accept purchases, paying a price, mortgaging, releasing mortgage, selling, conveying, collecting a price, handing over the sold item, receiving deeds and renting and leasing on behalf of the Company, provided that the minutes of the Board of Directors include the reasons for the resolution to dispose of the Company's assets, property and real estate, subject to the following conditions:

  1- The Board must specify the reasons and justifications for this disposal in the disposal resolution.

  2- The price of the sold asset, in the case of sale, must be approximate to the price of a similar asset, as determined in accordance with the applicable accounting principles.

  3- In the case of disposal by sale, the sale shall not be deferred except in cases of necessity and with adequate guarantees.

  4- Such disposal shall not result in the suspension of some of the Company's activities, its lack of sufficiency or the imposition of other obligations on it.

- Bidding for tenders and carrying out transactions on behalf of the Company, signing all types of contracts, agreements and documents on behalf of the Company, including, but not limited to, articles of association of companies established or wholly owned by the Company or in which the Company is a shareholder. The Board of Directors shall also sign all amendments and appendices of their articles of association and all shareholders' resolutions before notaries public and official and private entities, including decisions related to liquidation, withdrawal, increase or decrease of capital, assignment and purchase of shares and authentication of articles of association. The Board shall also sign the same before the Companies Department at the Ministry of Commerce, authenticate the same with the competent notaries, attend the General Assembly meetings of such companies, vote on behalf of the Company in such meetings and sign shareholders' resolutions.

- The Board of Directors may also enter into loan agreements with government financing funds and institutions, regardless of the length of their terms, in addition to loan agreements whose terms do not exceed the Company's term, subject to the following conditions:

  1- The Board of Directors must specify in its resolution the purposes of the loan and how it will be repaid.

  2- The loan terms and guarantees, must not harm the Company, its shareholders and general creditor guarantees.

- The Board of Directors shall also have the right to request and accept reconciliation and waive, enter into and adhere to contracts on behalf of the Company. The Board of Directors shall have the authority to carry out all acts necessary to achieve the Company's objectives.
- Signing loan agreements, waiving priority of payment of the Company's debts, issuing guarantees for third-party obligations, granting all guarantees and compensation and issuing legal powers of attorney on the Company's behalf.

b- The Board of Directors shall, in cases it deems appropriate, have the right to release the Company's debtors from their obligations, taking into account the Company's interest in accordance with the accounting standards followed in the event of bad debts, provided that the minutes of the Board of Directors include the reasons for its resolution, taking into account the following conditions:

  1- The release shall be made at least one full year after the debt is incurred.

  2- Each debtor's release shall be for a specified maximum amount per year.

  3- The right to release shall be reserved for the Board of Directors and may not be delegated.

- Opening, managing, operating and closing bank accounts, opening letters of credit, receiving, paying, withdrawing and depositing amounts with banks, issuing bank guarantees, signing all documents and checks and carrying out all bank transactions.
- Appointing and dismissing managers, employees and workers, recruiting labor from outside the Kingdom, contracting with them and determining their duties and salaries.
- Approving the Company's business plan and approving its annual operating plans and balance sheets.

c- The Board of Directors may authorize the investment of the Company's liquid funds.

- The Board may, within the limits of its competence, delegate any of its powers to any of its members or to a third party to take a certain action(s) or conduct certain work(s).

Article 19 Powers of the Chairman, Vice Chairman and Secretary

Subject to the Companies Law, the Board of Directors shall appoint a Chairman from among its members and determine his responsibilities. The Board of Directors shall also appoint a Vice Chairman to replace the Chairman in the Chairman's absence. The Chairman shall have the power to call for Board meetings and shall preside over meetings of the Board and the General Assembly. The Chairman shall represent the Company before courts, arbitration bodies and third parties. The Chairman may, by a written decision, delegate some of his powers to other Directors, the Company's CEO or third parties to carry out a specific act(s). The Board of Directors shall also appoint a CEO for the Company who is not a Board member. The appointment resolution shall set out the CEO's responsibilities, duties and financial rights. The Board shall also appoint one or more deputies for the CEO, based on the CEO's proposal. The appointment resolution shall set out their responsibilities, duties and financial rights.

The Board shall also appoint a Secretary and determine their responsibilities and financial remuneration. The Secretary shall be responsible for all administrative work of the Board, its meetings and the Board committees.

Article 20 CEO

The CEO shall implement the Board's resolutions, run the Company's daily business and lead its employees under the supervision and oversight of the Board of Directors, in addition to exercising the other powers delegated thereto by the Board of Directors and the Company's regulations.

Article 21 Renumeration of Board Members

The remuneration and allowance of the Directors shall be set pursuant to the Companies Law and the instructions set by the competent authorities, whether this remuneration represents a specific amount, an attendance allowance for meetings, an expense allowance, in-kind benefits or a percentage of profits. It is permissible to combine two or more of these benefits not exceeding those stipulated in the Companies Law and its regulations. They may be of varying amounts and based on a policy issued by the Nomination and Remuneration Committee. The Board of Directors' report to the General Assembly must include a comprehensive statement of all remuneration, expense allowances and other benefits received by the Board Directors during the financial year. It shall also include a statement of the amounts paid to the Directors as employees or managers or amounts paid to them for technical, administrative or advisory works. In addition, the report shall include a statement of the number of Board meetings as well as the number of meetings attended by each Director from the date of the last meeting of the General Assembly.

Article 22 Quorum of the Board Meetings

The Board of Directors shall hold periodic meetings as needed, provided that at least two meetings are held per year. Such meetings shall be at the written invitation of the Chairman, delivered to the remaining Directors at least fifteen (15) days before the scheduled meeting. The Chairman shall also call the Board of Directors to meet whenever a meeting is requested by two Directors.

Article 23 Quorum of the Board Meetings

Board meetings shall only be valid if attended by at least half of the Directors in person or by proxy, provided that at least three members attend in person, including the Chairman or their representative.

- a- Any Director may delegate another Director to attend Board meetings and vote on their behalf. Such delegation must be in accordance with the following terms:
  - 1- A Director may not represent more than one Director in attending the same meeting.
  - 2- The delegation must be in writing.
  - 3- The delegated Director may not vote on decisions on which the law prohibits the delegating Director from voting.
- b- Board meetings may be held by phone or by any other electronic means that allow all attending Directors to hear and speak with all other attendees. Unless otherwise notified, the Chairman may consider Directors participating by phone or any other electronic means of communication to be present for the entire meeting.
- c- Board resolutions shall be adopted by the majority of votes of the members attending or represented therein. In case of a tie, the Chairman of the meeting will have the casting vote.

Article 24 Deliberations of the Board

The deliberations and resolutions of the Board shall be recorded in minutes which shall be signed by the Chairman, the Directors present and the Board Secretary. The Board may not adopt resolutions by circulating them among the members separately except in cases of necessity, in which case, all Directors must approve the resolutions in writing, and these resolutions shall be brought before the Board at the first following meeting for approval and to record them in the Board minutes. The minutes shall be recorded in a special register to be signed by the Chairman of the Board and the Secretary.

Article 25 Expiry of Board Membership

1- The Board membership shall end upon the lapse of the Board's term or if a Director becomes ineligible for Board membership according to any applicable law or instructions in the Kingdom. However, the Ordinary General Assembly may at any time dismiss all or some of the Directors, without prejudice to the right of a dismissed Director to claim compensation from the Company if such dismissal occurs without acceptable justification or at an improper time. A Director may resign, provided that such resignation is made at a proper time; otherwise, the Director will be responsible to the Company for the damages incurred due to such resignation.

2- If the position of a Board member becomes vacant, the Board may appoint a member to temporarily fill the vacancy, provided that such member is sufficiently experienced and qualified. In addition, the competent authority must be notified accordingly within five days from the date of appointment. The appointment shall be submitted to the Ordinary General Assembly in its first meeting. The new member shall complete the term of their predecessor.

3- If the Board of Directors fails to convene due to not satisfying the minimum number of members set out in the Bylaws, the rest of the members must call for an Ordinary General Assembly within sixty days to elect the required number of members.

Section Three: Constituent Assemblies and Shareholders' Assemblies

Article 26 Shareholders' Assemblies

The Constituent Assembly and Ordinary or Extraordinary General Assembly, duly convened, represent all shareholders and shall be held in the city where the Company's head office is located. Each Subscriber, whatever the number of their shares, has the right to attend the Constituent Assembly either in person or on behalf of other Subscribers. Any shareholder may attend the General Assembly, and may delegate another person who is not a Director or Company employee to attend on their behalf.

Article 27 Competencies of the Constituent Assembly

The Constituent Assembly has the following competencies:

1- To verify subscription to all Company shares and the satisfaction of the minimum share capital as well as the amount of outstanding shares in accordance with the Bylaws.

2- To deliberate on the in-kind share assessment report.

3- To approve the final provisions of the Company's Bylaws, provided that no substantial amendments are made to the Bylaws presented to it without the approval of all Subscribers represented therein.

4- To appoint the first Directors for a period of no more than five years and the first auditor if they were not appointed in the Company's Articles of Association or Bylaws.

5- To deliberate on and approve the founders' report on the works and expenses required to establish the Company.

For this Assembly to be valid, a number of Subscribers representing at least half of the share capital must be in attendance, and each Subscriber has a vote for each share they own or represent in its meetings.

Article 28 Competencies of the Ordinary General Assembly

With the exception of the matters falling within the competence of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent in all matters related to the Company. The Ordinary General Assembly shall meet at least once annually during the six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called as needed.

Article 29 Competencies of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the authority to amend the Bylaws, except for provisions whose amendment is prohibited in accordance with the Companies Law. The Extraordinary General Assembly may issue resolutions regarding matters within the competency of the Ordinary General Assembly under the same conditions and manner prescribed for the Ordinary General Assembly.

Article 30 Calling for Meetings of the Assemblies

The General Assembly meetings shall convene at the invitation of the Board in accordance with the instructions set out in the Company's Bylaws. The Board shall call for a General Assembly meeting if requested by the Company's Auditor, Audit Committee or shareholders representing at least (5%) of the Company's capital. The Auditor may call for the Assembly to convene if the Board of Directors fails to do so within thirty days of the Auditor's request. The invitation shall be published in a daily newspaper distributed in the area of the Company's head office before the scheduled date of the meeting, according to the statutory periods specified in the Companies Law. However, invitations may be sent to all shareholders via registered mail by the aforementioned period, and a copy of the invitation and the agenda shall be sent to the competent authority during the period specified for publication. General Assemblies may be held by telephone or by any other electronic means that enable all shareholders present to hear and speak with all other shareholders present, unless otherwise notified. The Chairman may deem shareholders participating by telephone or any other electronic means of communication to be present at the meeting.

Article 31 Assembly Attendance Register

The shareholders wishing to attend the General Assembly shall register their names at the Company's head office ahead of the scheduled meeting time. At the meeting of the General Assembly, a list shall be made of the names of shareholders present in person and by proxy, their places of residence, the number of shares held by them in person and by proxy and the number of votes allocated to them. Each stakeholder must have access to this list.

Article 32 Quorum for Ordinary General Assembly Meetings

The Ordinary General Assembly meetings shall not be valid unless attended by shareholders in person or by proxy representing at least (50%) of the share capital. If such quorum is not attained during the first meeting, a notice shall be sent for a second meeting to be held within thirty days following the previous meeting. The second meeting may also be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes the possibility of holding this meeting. In all cases, the quorum for the second meeting shall be deemed valid regardless of the number of shareholders represented.

Article 33 Quorum for Extraordinary General Assembly Meetings

The Extraordinary General Assembly meetings shall not be valid unless attended by shareholders in person or by proxy representing at least (50%) of the share capital. If such quorum is not attained during the first meeting, a notice shall be sent for a second meeting in the same manner prescribed in Article 30 of the Bylaws. The second meeting may also be held one hour after the end of the period specified for the first meeting, provided that the invitation to hold the first meeting includes the possibility of holding this second meeting. In all cases, the second meeting shall be valid if attended by a number of shareholders representing at least (25%) of the share capital. If the quorum for the second meeting is also not attained, a notice shall be sent for a third meeting in the same manner prescribed in Article (31) of the Bylaws. The third meeting shall be deemed valid regardless of the number of shareholders represented therein, after the approval of the competent authority.

Article 34 Voting in Assemblies

Each Subscriber shall have one vote for each share they represent in the Constituent Assembly. Votes in Ordinary General Assemblies and Extraordinary General Assemblies are calculated based on one vote per share. Directors may not participate in voting on Assembly resolutions related to absolving them of responsibility for their management.

Article 35 Assembly Resolutions

The resolutions of the Ordinary General Assembly shall be passed by an absolute majority of the shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be passed by a majority of two-thirds of the shares represented in the meeting unless the resolution relates to the increase or decrease of the Company's capital, extension of the Company's term, dissolution of the Company before the end of the term specified in its Bylaws or merging the Company with another company. In such cases, the resolution shall not be valid unless passed by a majority of three-quarters of the shares represented in the meeting.

Article 36 Publication of Assembly Resolutions

The Board of Directors must publish the Extraordinary General Assembly decisions on the competent authority's website if they include amending the Bylaws.

Article 37 Deliberations at Assembly Meetings

Every shareholder shall have the right to discuss the matters listed in the agenda of the General Assembly and to ask the Directors and the Auditor questions thereon. The Directors or the Auditor shall answer the shareholders' questions the extent that such does not harm the Company's interests. If a shareholder feels that the answer to their question is unsatisfactory, they may appeal to the General Assembly, whose decision shall be final in this respect.

Article 38 Chairpersonship of Assemblies and Preparation of Minutes

The General Assemblies shall be presided over by the Chairman or representative thereof. In the event of the absence of the Chairman and representative thereof, the Directors present shall select one of the Board members to head the Assembly, and this person shall appoint a secretary and a vote collector(s). Minutes shall be kept for every assembly, stating the names of shareholders present or represented therein, the number of shares held by each in person or by proxy, the number of votes attributed to such shares, the resolutions adopted, the number of consenting and dissenting votes, and a comprehensive summary of the deliberations that took place in the meeting. Minutes shall be recorded on a regular basis after each meeting in a special register signed by the Chairman of the Assembly and its Secretary and Vote Collector.

Section Four: Audit Committee

Article 39

1- An Audit Committee shall be formed by a resolution of the General Assembly consisting of not less than three and not more than five members, whether shareholders or otherwise. None of the committee members may be executive Board members. Such resolution shall include the committee's duties, controls and member remuneration.

2- Meetings of the Audit Committee shall be duly convened only if they are attended by the majority of its members. The Audit Committee resolutions shall be adopted by a majority of the votes of the members present. In the case of a tie, the Chairman shall have the casting vote.

3- The Audit Committee shall be responsible for monitoring the Company's business, and shall have the right to access the Company's records and documents and to request clarifications from the Board or Senior Executives. The Audit Committee may ask the Board to invite the Company's General Assembly to convene if its work is hindered by the Board or if the Company suffers material losses or damages.

4- The Audit Committee shall review the Company's financial statements, reports and notes submitted by the Auditor and provide its opinions on the same, if any. In addition, it shall prepare a report setting out its opinion as to the adequacy and efficiency of the Company's internal control systems along with other matters falling within its competency. The Board shall place sufficient copies of this report at the Company's head office prior to the date set for convening the General Assembly in accordance with the statutory periods set in the Companies Law, to be provided to any shareholders who wish to have a copy thereof. The report shall be read aloud at the General Assembly.

The members of the Audit Committee may participate in meetings by means of modern technology that enable them to speak and participate effectively with the rest of the members of the Audit Committee. Any member who participates in this manner is considered to be present in person.

Section Five: Auditor

Article 40 Appointment of the Auditor

The Company shall have one or more auditors from among those licensed to work in the Kingdom that shall be appointed by the General Assembly, which shall determine the Auditor's remuneration and work term. The General Assembly may also at any time reappoint or change such Auditor, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification.

Article 41 Terms of Appointment of the Auditor

The work of the Auditor may not be combined with participation in the founding of the Company, membership on the Board of Directors or the performance of technical or administrative work at the Company or in its interest, even in the way of providing consultation. The Auditor may not be a partner of one of the Company's founders, Directors, employees or a fourth-degree relative thereof at the time of its appointment. Any act in breach of this shall be invalid, with the obligation that they return the compensation they received to the Ministry of Finance.

Article 42 Powers of the Auditor

The Auditor shall have, at any time, the right to access the books, records and other documents of the Company. The Auditor may also request the information and explanations that it deems necessary to verify the assets and liabilities of the Company and other matters which fall within the Auditor's scope of work. The Chairman of the Board of Directors shall enable the Auditor to perform its duty. If the Auditor encounters difficulty in performing its duties, it shall record such in a report submitted to the Board. If the Board does not facilitate the work of the Auditor, the Auditor shall request that the Board convene an Ordinary General Assembly to consider the matter.

Article 43 Auditor's Report

The Auditor is required to submit a report to the annual Ordinary General Assembly that details the Company's position on the extent to which it was able to obtain the data and clarifications requested the Auditor, any violations of the Bylaws or the Companies Law it discovered and its assessment of the extent to which the Company's financial statements conform to the facts.

Section Six: The Company's Accounts and Dividend Distribution

Article 44 Financial Year

The Company's financial year shall start on the first day of January and end at the end of December of same year. However, the Company's first financial year shall start from the date of the Council of Ministers Resolution announcing the incorporation of the Company and end at the end of December of the following year.

Article 45 Financial Documents

At the end of each financial year, the Board of Directors shall prepare the Company's financial statements and a report on its activity and financial position for the previous financial year, including the proposed method of dividend distribution. The Board shall place these documents at the Auditor's disposal at least forty-five days before the General Assembly.

The documents referred to in the above paragraph of this Article must be signed by the Chairman, CEO and CFO of the Company and copies thereof shall be placed at the Company's head office at the shareholders' disposal prior to the scheduled General Assembly meeting, in accordance with the statutory periods specified in the Companies Law.

The Chairman must provide shareholders with the Company's financial statements, the Board report and the Auditor's report, unless they are published in a daily newspaper distributed at the Company's head office. The Chairman must also send a copy of these documents to the competent authority at least fifteen days before the date of the General Assembly.

Article 46 Distribution of Dividends

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

1- Four percent (4%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by a resolution of the Ordinary General Assembly when the statutory reserve reaches twenty percent (20%) of the Company's share capital.
2- The General Assembly may, based on a proposal of the Board of Directors, set aside a percentage of the net profits to form an additional reserve to be allocated to one or more specific purposes.
3- From the remainder, an initial payment shall be distributed to shareholders equal to at least five percent (5%) of the paid-up share capital, unless the Ordinary General Assembly decides otherwise.
4- Subject to the provisions of Article 22 of the Bylaws, the Ordinary General Assembly may approve granting each Director, in return for their membership, a share in the Company's profits of no more than 10% of the remaining net profits, after deducting the reserves distributing no less than 5% of the paid-up share capital as an initial payment of profits to shareholders, provided that the entitlement to this bonus is proportional to the number of meetings attended by the Directors, in accordance with the rules established by the competent authority.
5- The Company is entitled to distribute quarterly and semi-annual profits in accordance with the requirements of the relevant laws.

The remainder is then distributed to shareholders as an additional share of profits or carried over to the coming years as approved by the General Assembly.

Article 47 Entitlement to Dividends

The shareholders shall be entitled to their share of the profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall specify the entitlement date and the date of distribution. The shareholders registered in the shareholder registers at the end of the entitlement day shall be entitled to dividends.

Article 48 Use of Statutory Reserve

The statutory reserve shall be used to cover the losses of the Company or to increase its capital. If said reserve exceeds (20%) of the Company's capital, the Ordinary General Assembly may decide to distribute the excess to shareholders in the years in which the Company does not achieve net profits to distribute the dividends specified in the Company's Bylaws. If the other reserve is not dedicated to a specific purpose, the Ordinary General Assembly may, based on a proposal of the Board of Directors, decide to spend it for the benefit of the Company.

Article 49 Company's Losses

a- If the losses of the Company reach an amount equal to one half of its paid-up capital at any time during the financial year, any of the Company's officers or Auditors must, upon knowledge of such losses, promptly inform the Chairman, who will immediately notify the Board accordingly. The Board shall, within fifteen days of such notification, call for an Extraordinary General Assembly to be held within forty-five days from the date of learning of the losses in order to decide to increase or decrease the Company's capital in accordance with the Companies Law to the extent that such reduces the losses to less than half of the paid-up capital, or to dissolve the Company before the end of the term specified in its Bylaws.

b- The Company shall be deemed dissolved by force of law if the Extraordinary General Assembly fails to convene within the period set in paragraph (a) above, if it convenes but fails to issue a resolution on this matter, or if it decides to increase the share capital in accordance with the conditions set out in this Article and the increase is not fully subscribed for within ninety days of the issuance of such resolution.

Article 50 Deposit of Documents

The Board of Directors shall, within thirty days from the date the General Assembly approves the financial statements, the Board report, the Auditor's report, and the Audit Committee's report, deposit copies of the aforementioned documents with the competent authority.

Section Seven: Disputes

Article 51 Liability Action

Each shareholder shall be entitled to file a liability claim vested in the Company against the Directors if a wrongful act committed by them causes personal damage provided that the shareholder's right to file such claim still exists and after notifying the Company of their intention to do so. Their right to claim compensation shall be limited to the damage that befell them.

Section Eight: Dissolution and Liquidation of the Company

Article 52

Upon expiration or in the event of dissolution before the specified term, the Company shall enter into liquidation and shall retain its legal entity as long as necessary to complete the liquidation. The voluntary liquidation decision shall be issued by the Extraordinary General Assembly. The liquidation resolution shall provide for the appointment of a liquidator and determine its powers, limitations and compensation as well as the duration of the liquidation. The duration of voluntary liquidation shall not exceed five (5) years, and may only be extended by a judicial order. Upon dissolution, the powers of the Company's Board shall cease. However, they shall continue running the Company and shall be considered before third parties as the liquidator until a liquidator is appointed. The General Assemblies shall remain functional during the liquidation period and their roles shall be limited to exercising those powers that do not conflict with the powers of the liquidator. The liquidator shall also observe the requirements of the lease contract, in terms of continuing the service and returning the leased assets to the Royal Commission if they have not been acquired by the Company.

Section Nine: General Provisions

Article 53

These Bylaws shall be filed and published in accordance with the Companies Law and its regulations.

Article 54

The Companies Law and its regulations shall apply to all matters not specifically provided for herein.

12.14 Description of the Shares

Capital

The Company's capital is set at two billion, five hundred million Saudi Riyals (SAR 2,500,000,000), divided into two hundred and fifty million (250,000,000) nominal shares, all of which are of equal value, with a value of ten Saudi Riyals (SAR 10) per share and all shares are ordinary cash shares.

Trading of Shares

It is not permissible to trade the cash shares subscribed by the founders before publication of the financial statements for two complete financial years, each consisting of not less than twelve months, from the date of the Council of Ministers Resolution announcing the establishment of the Company. The type of Sukuk shall be indicated thereon along with the date of the Company's establishment and the period during which they may not be traded.

Preferred Shares

The Company's Extraordinary General Assembly may, in accordance with the principles set by the competent authority, issue preferred shares or decide to purchase the same, or convert ordinary shares into preferred shares or preferred shares into ordinary shares. The preferred shares do not grant the right to vote in General Assemblies. Such shares entitle their holders to a higher percentage of the Company's net profits than the holders of the ordinary shares after deducting the amounts to be set aside for the statutory reserve.

Issuance of Shares

Shares are nominal and may not be issued in an amount less than the nominal value. However, shares may be issued at a premium, and in this case the premium shall be added as a separate item under the shareholders' rights and may not be distributed between the shareholders as profits. Shares are indivisible with respect to the Company. If a share is jointly owned by several persons, such persons must select one of them to represent them in exercising the rights attached to such share. Such persons shall be jointly liable for the obligations arising from the ownership of the share.

Voting Rights

Each Subscriber shall have one vote for each share they represent in the Constituent Assembly. Votes in Ordinary General Assemblies and Extraordinary General Assemblies are calculated based on one vote per share. Directors may not participate in voting on Assembly resolutions related to absolving them of responsibility for their management.

Company's Purchase, Sale or Pledge of its Own Shares

The Company may buy and sell its ordinary or preferred shares in one or several stages. The Company may also buy its shares for use as treasury shares in accordance with the rules set by the competent authority. The Company may pledge its shares as a debt guarantee in accordance with the rules set by the competent authority. The shares purchased by the Company shall not have voting rights in Shareholder Assemblies.

Entitlement to Dividends

Shareholders shall be entitled to their share in the profits in accordance with the resolution issued by the General Assembly in this regard. Such resolution shall set out the entitlement date and the distribution date. Shareholders registered in the shareholder registers at the end of the entitlement day shall be entitled to dividends.

Rights to Asset Surplus upon Liquidation or Dissolution

Pursuant to Article (110) of the Companies Law, each share entails equal rights in the net profits and asset surplus upon liquidation in accordance with the conditions and restrictions specified in the Companies Law or the Bylaws.

Necessary Approvals to Amend Voting Rights

The Bylaws must be amended in order to amend voting rights and the voting mechanism. The Bylaws may only be amended by the Extraordinary General Assembly. Extraordinary General Assembly meetings shall not be valid unless attended by shareholders representing at least fifty percent (50%) of the share capital. If such quorum cannot be attained during the first meeting, a notice shall be sent for a second meeting in the same manner prescribed in Article (31) of the Bylaws. The second meeting shall be valid if attended by a number of shareholders representing at least twenty-five percent (25%) of the share capital.

13. Underwriting

The Company, the Selling Shareholders and the Underwriters, HSBC Saudi Arabia and Riyad Capital, have entered into an Underwriting Agreement (hereinafter referred to as the "**Underwriting Agreement**"), under which the Underwriters have agreed to fully underwrite the Offering of 73,094,500 shares, subject to certain terms and conditions contained in the Underwriting Agreement. The names and addresses of the Underwriters are set out below:

Table (13.1): Name and Address of Underwriters

Underwriters
HSBC Saudi Arabia Olaya Road - Al Murooj District P.O. Box 7267 Kingdom of Saudi Arabia Work Tel: +966 (11) 299 2385 Fax: +966 (11) 299 2385 Website: www.hsbcsaudi.com Email: saudiarabia@hsbcsa.com
Riyad Capital Granada Business Park 2414 - Al Shohda Dist., Unit No. 69 7279, Riyadh 13241 Kingdom of Saudi Arabia Tel: +966 (11) 4865649 Fax: +966 (11) 4865908 Website: www.riyadcapital.com Email: ask@riyadcapital.com

13.1 Summary of the Underwriting Agreement

In accordance with the terms and conditions of the Underwriting Agreement:

a- The Selling Shareholders undertake to the Underwriters that they shall do the following on the first business day following the completion of the allocation of the Offer Shares after the end of the Offering Period:

  1- Sell and allocate the Offer Shares to Individual Subscribers or Participating Parties whose subscription applications are accepted by the Receiving Agents.

  2- Sell and allocate the Offer Shares that were not purchased by Individual Subscribers or Participating Parties to the Underwriter.

b- The Underwriters undertake to the Selling Shareholders that, on the date of allocation, they shall purchase any Offer Shares which are not subscribed for by Individual Subscribers or Participating Parties in accordance with the following:

Underwriters	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
Riyad Capital	36,547,250	50%
HSBC Saudi Arabia	36,547,250	50%
Total	**73,094,500**	**100%**

The Company and the Selling Shareholders undertake to abide by all provisions of the Underwriting Agreement.

13.2 Underwriting Costs

The Selling Shareholders shall pay to the Underwriters, in proportion to their percentage of ownership of the Offer Shares sold, the underwriting fees based on the total value of the Offering, as well as the expenses and costs of the Offering on behalf of the Company in accordance with the contract concluded in this regard.

14. Offering Expenses

The Selling Shareholders will be responsible for all Offering expenses and costs, which are estimated to be approximately SAR [•]. These expenses include the fees of the Financial Advisors, Underwriters, Bookrunners, Retail Subscription and Settlement Coordinator, Legal Advisor, Financial Due Diligence Advisor, Auditor, Market Consultant and other advisors, in addition to the fees of the Receiving Agents and marketing, printing, distribution and other related expenses. The Offering expenses will be paid out of the Offering proceeds. The Company will not bear any expenses related to the Offering.

15. The Company's Undertakings Before and After the Listing

After Listing, the Company undertakes to:

a- Fill out Form 8 related to the observance and compliance with the CGRs and provide the relevant justifications if it fails to meet any of the requirements set out in the CGRs.

b- Notify the CMA of the date of the first General Assembly after Listing to allow its representative to attend.

c- Comply with all mandatory provisions set out in the CGRs immediately after Listing.

d- Comply with the provisions of the OSCOs and the Listing Rules in relation to the Company's continuing obligations immediately after Listing.

e- Submit business and contracts in which any Director has a direct or indirect interest to the General Assembly for authorization (in accordance with the Companies Law, the CGRs and the Regulatory Rules and Procedures Relating to Listed Joint Stock Companies), provided that the interested Director refrains from participating in voting on the resolution issued in this regard by the Board of Directors and the General Assembly.

Accordingly, upon Admission, the Board of Directors undertakes to:

a- Record all resolutions and deliberations in the form of written meeting minutes signed by the Board Chairman and Secretary.

b- Disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs.

16. Waivers

The Company has not applied to the CMA for any waiver of any regulatory requirements.

17. Share Information and Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of the Shares in accordance with the OSCOs and an application to list the shares on the Exchange in accordance with the Listing Rules.

All Subscribers must read the subscription terms and conditions carefully before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to the Receiving Agent is deemed acceptance of the subscription terms and conditions.

17.1 Subscription for the Offer Shares

The Offering consists of seventy-three million, ninety-four thousand, five hundred (73,094,500) ordinary shares with a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The Offer Shares represent 29.24% of the Company's share capital and are offered at a price of [•] Saudi Riyals (SAR [•]) per share with a total value of [•] million Saudi Riyals (SAR [•]). It should be noted that the Offering to Individual Subscribers and the subsequent listing of the Company's shares shall be contingent upon the successful subscription of the Participating Parties to all the Offer Shares. The Offering shall be canceled if it is not covered during such period. In the event that there is a fundamental change that could adversely and materially affect the Company's operations, the Authority may suspend the Offering after this Prospectus is approved and before the shares are registered and accepted for listing on Tadawul. Subscription shall be limited to the following two tranches:

Tranche (A): Participating Parties: This tranche comprises a number of institutions and companies, including investment funds, qualified foreign investors and GCC investors with legal personality. Participating Parties will be allocated seventy-three million, ninety-four thousand, five hundred (73,094,500) ordinary shares, representing 100% of the Offer Shares. The final allocation will be made after the end of the Subscription Period for Individual Subscribers. In the event that there is sufficient demand from Individual Subscribers, the Financial Advisors shall have the right to reduce the number of Offer Shares allocated to Participating Parties to fifty one million, hundred and sixty six thousands, hundred and fifty (51,166,150) shares, representing 70% of the Offer Shares.

Tranche (B): Individual Subscribers: This tranche comprises Saudi natural persons including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who is entitled to subscribe to the Offer Shares for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom or GCC nationals who, in each case, have a bank account and are entitled to open an investment account with one of the Receiving Agents. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid and if a transaction of this nature is proved to have occurred, the law shall be enforced against the applicant. In the event of a duplicate subscription, the second subscription will be considered null and only the first subscription will be considered. A maximum of twenty one million, nine hundred and twenty eight thousands, three hundred and fifty (21,928,350) Offer Shares representing ten percent (30%) of the Offer Shares shall be allocated to Individual Subscribers. If Individual Subscribers do not subscribe for all Offer Shares allocated thereto, the Financial Advisors may reduce the number of shares allocated to them in proportion to the number of shares to which they subscribed.

17.2 Book Building for Participating Parties

a- The Financial Advisors, in cooperation with the Issuer and the Selling Shareholders, will determine the price range for the purposes of book building, which will be made available to all Participating Parties.

b- Each Participating Party must submit requests to participate in the book building process by filling out Application Forms. Participating Parties may change or cancel their Application Forms at any time during the book building process, provided that such change is made by submitting an amended or additional Application Form, where applicable, during the Book Building Period and before the determination of the Offer Price prior to the commencement of the Offering Period. The number of Offer Shares subscribed for by each Participating Party must not be less than one hundred thousand (100,000) shares and no more than twelve million, four hundred and ninety-nine thousand, nine hundred and ninety-nine (12,499,999) shares. Public investment funds must not exceed the maximum amount specified for each participating fund determined in accordance with the Book Building Instructions. The number of requested Offer Shares must be subject to allocation. The Bookrunners will notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. It is possible that shares will not be allocated to some Participating Parties as deemed appropriate by the Company and the Bookrunners. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Individual Subscribers, in accordance with the terms and instructions detailed in the Subscription Application Forms.

c- Following completion of the book building process for Participating Parties, the Bookrunners will announce the percentage of coverage by Participating Parties.

d- The Financial Advisors, in cooperation with the Selling Shareholders and the Issuer, will determine the Offer Price based on the forces of supply and demand, provided that it does not exceed the price set out in the Underwriting Agreement and the Subscription price is in accordance with the tick size applied by the Saudi Exchange (Tadawul).

17.3 Subscription by Individual Subscribers

Each Individual Subscriber must subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred and fifty thousand (250,000) ordinary shares. No change or withdrawal of the Subscription Application shall be permitted after submission thereof.

Subscription Application Forms will be available during the Offering Period on the Receiving Agents' websites, which provide such services. Subscription Application Forms must be completed in accordance with the instructions mentioned below. Individual Subscribers can subscribe through the Internet, telephone banking or ATMs of any of the Receiving Agents' branches that offer any or all such services to its customers, provided that the following requirements are satisfied:

a- The Individual Subscriber must have a bank account at a Receiving Agent which offers such services.

b- No changes have been made to the personal information of the Subscriber since their subscription in a recent offering.

c- Individual Subscribers who are not a Saudi or GCC national must have an account at one of the capital market institutions which offers such services.

A signed Subscription Application Form represents a binding agreement between the Selling Shareholders and the relevant Individual Subscriber submitting the application to the Receiving Agents.

Individual Subscribers may obtain a copy of this Prospectus from the websites of the CMA, the Financial Advisor and the Company:

Table (17.1): Receiving Agents

Receiving Agents
Riyad Bank Eastern Ring Road - Al Shuhada District P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com
Saudi British Bank (SABB) Prince Abdulaziz Bin Musaad Bin Jalawi Road, Al Morouj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com Email: sabb@sabb.com
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Receiving Agents
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Banque Saudi Fransi King Saud Road P.O. Box 56006 Riyadh 11554 Kingdom Saudi Arabia Tel: +966 920000576 Fax: + 966 (11) 402 7261 Website: www.alfransi.com.sa Email: Fransiplusadmin@alfransi.com.sa

17.4 Offering Period and Conditions for Individual Subscribers

The Receiving Agents will commence receiving Subscription Application Forms from Wednesday dated 01/04/1444H (corresponding to 26/10/2022G) to Saturday dated 04/04/1444H (corresponding to 29/10/2022G). Once the Subscription Application Form is signed and submitted, the Receiving Agent will stamp it and provide the applicant with a copy thereof. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount shall be the number of Offer Shares applied for multiplied by the Offer Price of [•] Saudi Riyals (SAR [•]) per share.

Subscriptions for less than ten (10) shares or fractional shares will not be accepted. Increments are to be made in multiples of this figure. The maximum number of shares to be applied for by each Individual Subscriber is two hundred and fifty thousand (250,000) Offer Shares.

Subscription Application Forms must be submitted during the Offering Period and accompanied, where applicable, with the following documents. The Receiving Agents shall verify all copies against the originals and will return the originals to the Subscriber:

- Original and copy of the national civil identification card or resident ID (Individual Subscribers, including citizens of GCC countries and foreign residents).
- Original and copy of the family register (when subscribing on behalf of family members).
- Original and copy of the power of attorney (when subscribing on behalf of others).
- Original and copy of a certificate of guardianship (when subscribing on behalf of orphans).
- Original and copy of the divorce certificate (when subscribing for the children of a divorced Saudi woman).
- Original and copy of the death certificate (when subscribing for the children of a widowed Saudi woman).
- Original and copy of the birth certificate (when subscribing for the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form. The power of attorney must be issued by a notary public for Individual Subscribers who are residing in the Kingdom of Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for a Saudi Individual Subscriber residing outside Saudi Arabia.

It is sufficient to fill out one Subscription Application Form for the primary Individual Subscriber applying for himself/herself and family members appearing on his/her family identification card if the family members are applying for the same number of Offer Shares as the primary Individual Subscriber. In this case:

1- All Offer Shares allocated to the primary Individual Subscriber and dependent Subscribers will be registered in the prime Subscriber's name;
2- The prime Individual Subscriber will receive any refund of amounts not allocated and paid by themselves or dependent Subscribers; and
3- The prime Individual Subscriber will receive all dividends distributed for the Offer Shares allocated to themselves and dependent Subscribers (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

a- The Offer Shares to be allocated are to be registered in a name other than the name of the prime Individual Subscriber;
b- Dependent Subscribers intend to apply for a different number of Offer Shares than the prime Individual Subscriber; and
c- The wife intends to subscribe in her name adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the one completed by the relevant prime Individual Subscriber). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the wives' independent application will be processed by the receiving agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband may subscribe on behalf of those children provided she submits proof of motherhood.

During the Offering Period, only a valid residence permit (Iqama) will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as prime Individual Subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18 years. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of [•] Saudi Riyals (SAR [•]) per Offer Share. Each Subscriber shall be deemed to have acquired the number of shares allocated to them upon:

1- Delivery by the Subscriber of the Subscription Application Form to any Receiving Agent.
2- Payment in full to the Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agents by depositing the related value into the Subscriber's account held with the Receiving Agent where the Subscription Application Form is submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Subscription, the Company shall have the right to reject such application, in full or in part. The applicant shall accept any number of shares allocated thereto unless the allocated shares exceed the number of Offer Shares applied for by the applicant.

17.5 Allocation of Shares and Refund of Excess Subscription Monies

The Retail Subscription and Settlement Coordinator and Receiving Agents shall open an escrow account, called the "**IPO Account.**" Each of the Receiving Agents shall deposit all amounts received from the Subscribers into the IPO Account mentioned above.

The announcement of the final allocation shall be made on Wednesday dated 08/04/1444H (corresponding to 02/11/2022G) and the refund of excess subscription monies, if any, will be made no later than Sunday dated 12/04/1444H (corresponding to 06/11/2022G).

17.6 Allocation of Offer Shares to Participating Parties

The initial allocation of the Offer Shares will be made as the Financial Advisors deem appropriate, in coordination with the Company, using the discretionary share allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares as deemed appropriate by the Company and the Financial Advisors. The final allocation of the Offer Shares to Participating Parties shall, upon the completion of the allocation of the Offer Shares to Individual Subscribers, be determined by the Financial Advisors, in coordination with the Company. The Offer Shares initially allocated to Participating Parties shall be seventy-three million, ninety-four thousand, five-hundred (73,094,500) shares, representing 100% of the Offer Shares. If there is sufficient demand by Individual Subscribers, the Financial Advisors shall have the right to reduce the Offer Shares allocated to Participating Parties to fifty one million, hundred and sixty six thousands, hundred and fifty (51,166,150) Offer Shares, representing 70% of the total number of the Offer Shares after the completion of the subscription process for Individual Subscribers.

17.7 Allocation of Offer Shares to Individual Subscribers

The minimum number of shares to be allocated to each Individual Subscriber shall be ten (10) ordinary shares and the remaining Offer Shares, if any, will be allocated to Individual Subscribers on a pro-rata basis based on the ratio of the number of shares requested by each Individual Subscriber to the total number of shares applied for. The Financial Advisors may increase the number of shares allocated to Individual Subscribers to 10% of the total Offer Shares and decrease the number of shares allocated to Participating Parties to 90% of the Offer Shares. In the event that the number of Individual Subscribers exceeds two million, hundred and ninety two thousands, eight hundred and thirty five (2,192,835) Subscribers, the Company will not guarantee the minimum allocation of ten (10) shares per Individual Subscriber. In this case, the allocation will be determined at the discretion of the Company and the Financial Advisors.

The announcement of the final number of Offer Shares to be allocated to each Subscriber is expected to be made on Wednesday dated 08/04/1444H (corresponding to 02/11/2022G), and the announcement of excess subscription monies, if any, no later than Sunday dated 12/04/1444H (corresponding to 06/11/2022G).

The Receiving Agents will notify Subscribers of the final number of Offer Shares to be allocated to each one of them, together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts with the relevant Receiving Agent. The announcement of the final allocation will be made on Wednesday dated 08/04/1444H (corresponding to 02/11/2022G) and the refund of excess subscription monies will be made no later than Sunday dated 12/04/1444H (corresponding to 06/11/2022G).

17.8 Circumstances Where Listing May be Suspended or Cancelled

17.8.1 Listing Suspension and Cancellation

a- The CMA may suspend trading of listed securities or cancel their listing at any time it deems fit in any of the following circumstances:

1- The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.

2- The Issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its implementing regulations or the Exchange Rules.

3- The Issuer fails to pay any fees due to the CMA or the Exchange or penalties due to the CMA on time.

4- The CMA deems that the Issuer, its business, the level of its operations or its assets are no longer suitable to warrant the continued listing of its securities on the Exchange.

5- When a reverse takeover announcement does not contain sufficient information about the proposed transaction. In the event that the Issuer has given sufficient information regarding the target and the CMA is convinced, after the Issuer's announcement, that sufficient public information will be available on the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.

6- When information about the proposed reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

7- When an initiation application for the Company's financial reorganization is registered with the court if its accumulated losses are 50% or more of its capital in accordance with the Bankruptcy Law.

8- When an application to commence a liquidation proceeding or administrative liquidation of the Company is registered with the court in accordance with the Bankruptcy Law.

9- When a court issues a final ruling to terminate a financial reorganization proceeding and commence a liquidation proceeding or administrative liquidation of the Company in accordance with the Bankruptcy Law.

10- When a court issues a final ruling to commence a liquidation proceeding or administrative liquidation of the Company before the court under the Bankruptcy Law.

b- A suspension of trading imposed under Paragraph (a) above may be lifted based on the following:

1- Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension to protect investors.

2- The lifting of suspension being unlikely to affect the normal activity of the Exchange.

3- The Issuer complying with any other conditions that the CMA may require.

4- Upon issuance of a final judgment initiating financial reorganization of the Company under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with Paragraph (a) (7) above.

5- Upon issuance of a court's final judgment refusing to initiate a liquidation proceeding or the administrative liquidation proceeding in accordance with the Bankruptcy Law unless it is suspended from its activities by the relevant competent authority, if the suspension is made in accordance with Paragraph (a) (8) above.

c- The Saudi Exchange Company shall suspend the trading of securities of the Issuer in any of the following cases:

1- When the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the OSCOs, until the disclosure thereof.

2- When the Auditor's report on the financial statements of the Issuer contains an opposing opinion or an abstention from expressing an opinion, until the opposing opinion or abstention is removed.

3- If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after Listing by the time limit set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise.

4- The Issuer's Extraordinary General Assembly issues a resolution to reduce its capital, for the two trading days following the issue date of the resolution.

d- The Exchange shall lift the suspension referred to in Paragraph (c) (1) and (2) above after the lapse of one trading session following the resolution of the matter that gave rise to the suspension. In the event that the over-the-counter trade of the Issuer's shares is allowed, the Exchange shall lift the suspension within a period of no more than five trading sessions after the end of the suspension circumstances.

e- The Exchange may at any time propose that the CMA suspend the trading of any listed security or cancel its listing where, in its opinion, any of the circumstances of Paragraph (a) above is likely to occur.

f- An Issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Exchange Rules.

g- In the event that the listing suspension continues for 6 months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the Issuer's listing.

h- Upon the Issuer's completion of a reverse acquisition, the listing of the Issuer's Shares shall be cancelled. If the Issuer wishes to re-list its securities, it must submit a new application for listing in accordance with the Listing Rules and the requirements of the OSCOs.

i- The above paragraphs shall not prejudice the suspension of trading and cancellation of listing resulting from the Company's losses pursuant to the relevant implementing regulations and Exchange Rules.

17.8.2 Voluntary Cancellation of Listing

a- An issuer whose securities have been listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must submit the cancellation application to the CMA, along with a simultaneous notice to the Exchange. The application shall include the following information:

1- The specific reasons for the cancellation request;

2- A copy of the disclosure described below;

3- A copy of the relevant documentation and a copy of each related document sent to Shareholders if the cancellation is to take place as a result of a takeover or other corporate action taken by the issuer; and

4- Names and contact information of the financial advisors and legal advisor appointed according to the OSCOs.

b- The CMA may, at its discretion, approve or reject the cancellation request.

c- The issuer must obtain the approval of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA's approval.

d- Where cancellation is made at the issuer's request, the issuer must disclose such to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation and how it affects the issuer's activities.

17.8.3 Temporary Trading Suspension

a- An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event during trading hours which requires immediate disclosure under the Exchange Rules or its implementing regulations, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange will suspend trading of the securities of that issuer as soon as it receives the request.

b- When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event resulting in the suspension and how it affects the issuer's activities.

c- The CMA may impose a temporary trading suspension without a request from the issuer when the CMA has information or there are circumstances that affect the issuer's activities which the CMA deems likely to interrupt the operation of the Exchange or jeopardize the protection of investors. An issuer whose securities are subject to a temporary trading suspension must continue to comply with the Law, its implementing regulations and the Exchange Rules.

d- The Exchange may propose that the CMA exercise its authority under Paragraph (c) above if it finds that there is information or circumstances that may affect the issuer's activities and that are likely to interrupt the operation of the Exchange or the protection of investors.

e- The temporary trading suspension will be lifted following the elapse of the period referred to in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

17.9 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs, provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be delegated by any of the parties referred to in this Prospectus without the prior written consent of the other party.

These instructions, conditions and the receipt of any Subscription Application Forms or related contracts are governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

Although the CMA has approved this Prospectus, it may suspend the Offering if the Company, at any time after the approval of this Offering by the CMA and before registration and admission to listing of the shares on the Exchange, it becomes aware of: (1) a significant change in material matters contained in the Prospectus; or (2) any significant matters which should have been included in the Prospectus.

In these cases, it is incumbent on the Company to submit to the CMA a supplementary prospectus in accordance with the requirements of the OSCOs and the Listing Rules. The supplementary prospectus must be published and an announcement made about the applicable subscription dates.

17.10 Lock-up Period

The Substantial Shareholders shall be subject to a Lock-up Period of six (6) months from the date on which trading of the Company's shares commences on the Exchange. During such period, the Substantial Shareholders may not dispose of any of their shares. Following the end of this Lock-up Period, the Substantial Shareholders may dispose of their shares.

17.11 Resolutions and Approvals on the Offering of the Offer Shares

Following are the resolutions and approvals pursuant to which the Company's Offer Shares are being offered:

a- The Extraordinary General Assembly's approval of the Offering dated 03/11/1443H (corresponding to 02/06/2022G).

b- The Company's Board of Directors' Resolution No. 3/by circulation/2022 dated 24/10/1443H (corresponding to 25/05/2022G) approving the public offering of the Company's shares.

c- The CMA's approval of the public offering of the Offer Shares dated 30/02/1444H (corresponding to 26/09/2022G).

d- The conditional approval issued by the Saudi Exchange to list the shares dated 26/01/1444H (corresponding to 24/08/2022G).

The distribution of this Prospectus and the sale of Offer Shares in any country other than the Kingdom are expressly prohibited. The Company, the Current Shareholder, the Financial Advisors and the Retail Subscription and Settlement Coordinator request that recipients of this Prospectus inform themselves of any regulatory restrictions on the Offer Shares and observe all such restrictions.

17.12 Subscription Declarations and Undertakings

By completing the Subscription Application Form, each Subscriber:

- agrees to subscribe for the Company's shares in the number of such shares specified in the Subscription Application Form.
- declares that they have read the Prospectus and understood all its contents.
- accepts the Company's Bylaws and all Offering instructions and terms mentioned in the Prospectus.
- declares that neither themselves nor any of their family members included in the Subscription Application Form have previously subscribed for shares and the Company has the right to reject all duplicate applications.
- accepts the number of shares allocated thereto (to the maximum of the amount subscribed for) according to the Subscription Application Form and all other subscription instructions and terms mentioned in the Subscription Application Form and the Prospectus.
- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Retail Subscription and Settlement Coordinator or the Receiving Agent.
- undertakes to maintain their right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by omitting material information that should have been part of the Prospectus and could affect their decision to purchase the shares.

17.13 Overview of the Market and Trading Process

In 1990G, full electronic trading of shares in the Kingdom was introduced. The Tadawul system was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs through a fully integrated trading system covering the entire trading process, from the execution of the trade transaction through settlement thereof via the DSS which is managed by Edaa. Trading occurs each Business Day between 10:00 am and 3:00 pm (Sunday through Thursday of each week), during which time orders are executed. Outside such hours, orders can be entered, amended or cancelled from 9:30 am to 10:00 am. New entries and inquiries can be made from 10:00 am of the opening session. These times may be changed by the Saudi Exchange.

Transactions take place through the automatic matching of orders. Each order is accepted and its priority determined according to the price. In general, market orders (orders placed at best price) are executed first, followed by limit orders. If several orders are generated at the same price, they are executed according to the time of entry. The Tadawul System distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters and Bloomberg.

Transactions are automatically settled during the day, i.e., the transfer of shares takes place once the transaction is executed. Issuers are required to disclose all material information and decisions that are important for investors via the Tadawul System. Tadawul is responsible for the surveillance and monitoring of the market participants in terms of their compliance with the Exchange Rules to ensure fair trading and an orderly market.

17.14 Trading of the Company's Shares

It is expected that trading of the Company's shares will commence after the final allocation of the shares and the announcement of the commencement date of trading by the Saudi Exchange. Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residency permits in the Kingdom and companies, banks, and investment funds established in the Kingdom or in GCC countries, as well as GCC nationals, will be permitted to trade in the shares after the shares are admitted by the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules. Furthermore, non-Saudi nationals who are not residents in the Kingdom and non-Saudi institutions incorporated outside the Kingdom will be permitted to indirectly acquire an economic interest in the shares by entering into swap agreements with capital market institutions, and by purchasing and trading in the shares listed on the Exchange on behalf of foreign non-GCC nationals. Under such swap agreements, the Capital Market Institutions will be registered as the legal owners of such shares.

Furthermore, the Offer Shares can only be traded after the allocated Offer Shares have been credited to Subscribers' accounts with Edaa and the Company has been registered and its shares listed on the Exchange. Trading the Company's shares prior to official trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in connection with pre-trading activities.

17.15 Miscellaneous

This Prospectus was issued in Arabic and English. Only the Arabic Prospectus is approved by the CMA and the Arabic Prospectus shall prevail in the event of any conflict between the two languages.

The dates and times included in this Prospectus are only indicative and may be changed or extended with the approval of the CMA.

18. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office in Jubail Industrial City, between 9:00 am and 5:00 pm from 08/03/1444H (corresponding to 04/10/2022G) until 04/04/1444H (corresponding to 29/10/2022G) for a period of no less than twenty (20) days prior to the end of the Offering Period:

- A copy of the CMA's approval of the Offering.
- The Company's Board resolution approving the registration and public offering of the Company's shares.
- The Extraordinary General Assembly resolution approving the registration and public offering of the Company's shares.
- The Company's Bylaws, together with the amendments thereto and other constitutional documents.
- The Company's commercial registration certificate.
- A document explaining the methodologies used in determining the price range for the book building.
- The contracts and agreements disclosed in Section 12 ("**Legal Information**") of this Prospectus.
- The audited consolidated financial statements of the Company for the financial years ended 31 December 2019G, 2020G, and 2021G.
- The reviewed condensed consolidated interim financial statements for the three-month period ended 31 March 2022G and the six months period ended June 30 2022G.
- The Underwriting Agreement.
- Other reports, letters, documents and value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus.
- Written consent from the Financial Advisors, Retail Subscription and Settlement Coordinator, International Coordinators, Bookrunners, Financial Due Diligence Advisor, Legal Advisors, Underwriters and Auditor to include their names, logos and statements (where applicable) in the Prospectus.
- Document summarizing forecasts and forward-looking statements in relation to the expected financial performance of the Company in the future.

19. Financial Statements and Auditor's Report

This section contains the Company's audited consolidated financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, the reviewed condensed consolidated interim financial statements for the three-month period ended 31 March 2022G, and as well as the six-month period ended 30 June 2022G, as well as the accompanying notes thereto, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB) as adopted in the Kingdom of Saudi Arabia, the standards issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and other reporting standards applicable in the Kingdom of Saudi Arabia.

POWER AND WATER UTILITY COMPANY
FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statements of profit or loss 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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.

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, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

Independent Auditor's Report

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

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 scepticism 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.
- 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

KPMG

Independent Auditor's Report

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

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

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 Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) and its subsidiaries ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي إم جي الفوزان وشركاه
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KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, 2 June 2020G
Corresponding to:10 Shawwal 1441H.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 SR '000	2018 SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**20,278,800**	20,066,401
Intangible assets	7	**8,808**	12,264
Equity accounted investees	8.3	**93**	58
Long-term receivables and prepayments	9	**409,448**	497,927
Deferred tax assets	22	**297,341**	240,959
Total non-current assets		**20,994,490**	20,817,609
Current assets			
Inventories	10	**278,008**	250,427
Trade receivables	11	**807,579**	1,065,265
Prepayments and other current assets	12	**596,824**	1,163,578
Short-term deposits	13	**36,000**	53,100
Cash and cash equivalents	14	**1,085,344**	1,364,270
Total current assets		**2,803,755**	3,896,640
TOTAL ASSETS		**23,798,245**	24,714,249
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**2,500,000**	2,500,000
Statutory reserve	15.1	**249,366**	240,005
Retained earnings		**4,190,765**	4,124,096
Equity before fair value reserve for cash flow hedge of a joint operation		**6,940,131**	6,864,101
Fair value reserve for cash flow hedge of a joint operation		**(102,745)**	(69,569)
Equity attributable to equity holders of the Parent Company		**6,837,386**	6,794,532
Non-controlling interest		**40,968**	45,275
Total equity		**6,878,354**	6,839,807
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	18	**9,278,671**	9,515,043
Lease liabilities	32	**2,955,765**	2,902,431
Other non-current liabilities	19	**2,064,925**	1,682,583
Deferred tax liabilities	22	**324,046**	254,371
Total non-current liabilities		**14,623,407**	14,354,428
Current liabilities			
Current portion of bank loans and borrowings	18	**275,688**	1,070,665
Current portion of lease liabilities	32	**365,258**	314,102
Trade payables	20	**711,618**	832,948
Accrued expenses and other current liabilities	21	**943,920**	1,302,299
Total current liabilities		**2,296,484**	3,520,014
Total liabilities		**16,919,891**	17,874,442
TOTAL EQUITY AND LIABILITIES		**23,798,245**	24,714,249

The financial statements appearing on pages 1 to 52 were approved by the Board of Directors of the Parent Company and have been signed on their behalf by:

Abdallah Ibrahim Al-Saadan	Abdullah Khalifa Al Buainain	Muhammed Abdulhamid AlMulhim
Chairman	President & CEO	GM Finance

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 SR '000	2018 SR '000
Revenue	24	**6,107,841**	6,270,536
Cost of revenue	25	**(5,588,179)**	(5,650,021)
Gross profit		**519,662**	620,515
Administrative expenses	26	**(236,467)**	(247,737)
Other operating income	27	**444,771**	282,020
Other operating expenses	28	**(12,128)**	(67,360)
Operating profit		**715,838**	587,438
Finance income	29	**39,814**	103,903
Finance costs	30	**(545,215)**	(434,000)
Profit before Zakat and income tax		**210,437**	257,341
Zakat and income tax	22	**2,606**	(33,242)
Profit for the year		**213,043**	224,099
Attributable to:			
Equity holders of the Parent Company		**198,270**	203,965
Non-controlling interest		**14,773**	20,134
		213,043	224,099
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders	17	**0.79**	0.82

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	SR '000	SR '000
Profit for the year	**213,043**	224,099
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Share of (loss) / gain on cash flow hedge of a joint operation, net of deferred tax	**(33,176)**	72,534
Other comprehensive income that will not be reclassified to income statement in subsequent periods:		
Re-measurement gain on defined benefit obligation, net of deferred tax	**2,610**	(26,270)
Other comprehensive (loss) / income for the year	**(30,566)**	46,264
Total comprehensive income for the year	**182,477**	270,363
Attributable to:		
Equity holders of the Parent Company	**167,854**	251,487
Non-controlling interest	**14,623**	18,876
	182,477	270,363

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Parent Company						
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of a joint operation SR '000	Total SR '000	Non-controlling interest SR '000	Total equity SR '000
As at 1 January 2018	2,500,000	229,763	4,091,159	(142,103)	6,678,819	42,284	6,721,103
Profit for the year	-	-	203,965	-	203,965	20,134	224,099
Other comprehensive income	-	-	(25,012)	72,534	47,522	(1,258)	46,264
Total comprehensive income	-	-	178,953	72,534	251,487	18,876	270,363
Transfer to statutory reserve	-	10,242	(10,242)	-	-	-	-
Transactions with owners							
Zakat and income tax reimbursable by shareholders	-	-	14,913	-	14,913	-	14,913
Zakat and income tax reimbursed for 2017	-	-	24,313	-	24,313	-	24,313
Dividends	-	-	(175,000)	-	(175,000)	(15,885)	(190,885)
As at 31 December 2018	2,500,000	240,005	4,124,096	(69,569)	6,794,532	45,275	6,839,807
As at 1 January 2019	**2,500,000**	**240,005**	**4,124,096**	**(69,569)**	**6,794,532**	**45,275**	**6,839,807**
Profit for the year	**-**	**-**	**198,270**	**-**	**198,270**	**14,773**	**213,043**
Other comprehensive income	**-**	**-**	**2,760**	**(33,176)**	**(30,416)**	**(150)**	**(30,566)**
Total comprehensive income	**-**	**-**	**201,030**	**(33,176)**	**167,854**	**14,623**	**182,477**
Transfer to statutory reserve	**-**	**9,361**	**(9,361)**	**-**	**-**	**-**	**-**
Transactions with owners							
Dividends (Note 16)	**-**	**-**	**(125,000)**	**-**	**(125,000)**	**(18,930)**	**(143,930)**
As at 31 December 2019	**2,500,000**	**249,366**	**4,190,765**	**(102,745)**	**6,837,386**	**40,968**	**6,878,354**

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 SR '000	2018 SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**213,043**	224,099
Adjustments for:			
Depreciation of property, plant and equipment	6	**1,321,519**	1,334,225
Amortization of intangible assets	7	**7,075**	8,251
Amortization of deferred income		**(30,230)**	(29,358)
Amortization of deferred employee benefits		**12,114**	11,087
(Reversal) / provision for impairment of trade receivables	11	**(13,202)**	13,202
Provision for employee cost optimization	21	**87,000**	100,000
Provision for refund of booked capacity	28	**-**	65,322
Provision for slow-moving and obsolete inventories	10	**11,347**	39,627
Provision for employees' benefits	19.1	**79,902**	83,142
Provision of demobilization cost		**-**	(33,305)
Penalty income from vendor	27	**-**	(66,542)
Gain on disposal of property plant & equipment		**-**	(3,016)
Share of loss from investment in equity accounted investees		**21**	56
Finance income	29	**(39,814)**	(103,903)
Finance costs	30	**545,215**	434,000
Zakat and income tax charge	22	**(2,606)**	33,242
Changes in:			
Trade receivables		**270,888**	105,815
Inventories		**(51,226)**	(15,518)
Prepayment and other current assets		**549,193**	(401,790)
Long term receivables and other assets		**87,311**	(120,307)
Trade payables		**307,263**	(344,382)
Accrued expenses and other current liabilities		**(401,529)**	370,126
Cash generated from operating activities		**2,953,284**	1,704,073
Employees' benefits paid	19.1	**(132,276)**	(23,531)
Interest paid		**(447,190)**	(396,077)
Zakat and income tax paid	22	**(31,585)**	(40,933)
Net cash from operating activities		**2,342,233**	1,243,532
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment, net		**(640,010)**	(356,269)
Additions to intangible assets		**(64)**	(2,283)
Proceeds from penalty income from a contractor		**-**	253,820
Investment in associate		**(56)**	-
Interest income on short term deposits		**31,516**	24,214
Net movement in short-term deposits		**17,100**	1,045,919
Net cash (used in) / from investing activities		**(591,514)**	965,401

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 SR '000	2018 SR '000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings	18	**(7,543,388)**	(3,384,633)
Proceeds from loans and borrowings	18	**6,400,000**	2,500,000
Payment of lease obligation	32	**(353,635)**	(1,045,040)
Movement in other non-current liabilities		**(422,535)**	78,325
Dividends paid		**(110,087)**	(166,572)
Net cash used in financing activities		**(2,029,645)**	(2,017,920)
Net change in cash and cash equivalents		**(278,926)**	191,013
Cash and cash equivalents at the beginning of the year		**1,364,270**	1,173,257
Cash and cash equivalents at the end of the year	14	**1,085,344**	1,364,270
SUPPLEMENTAL CASH FLOW INFORMATION			
Significant non-cash transactions			
Property, plant and equipment transferred from the Royal Commission		**428,909**	70,658
Addition of right-of-use assets	32	**428,593**	-
Non-cash consideration: customer funded assets acquired		**816**	26,770
Capital spares transferred to / (from) inventories	6.5	**12,298**	(15,172)
Net change in fair value reserve for cash flow hedge of joint operation		**(33,176)**	72,534
Dividend declared to non-controlling interest		**(18,930)**	-
Assets settled with contractor liability		**-**	364,127

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

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

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

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

	2019	2018
Saudi Basic Industries Corporation ("SABIC")	**24.81%**	24.81%
Saudi Arabian Oil Company ("Saudi Aramco")	**24.81%**	24.81%
Royal Commission for Jubail & Yanbu ("Royal Commission")	**24.81%**	24.81%
Public Investment Fund ("PIF")	**24.81%**	24.81%
Other private sector investors	**0.76%**	0.76%
	100%	100%

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities. In order to render such services, the Parent Company may:

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

Prior to the commencement of operations of the Parent Company, the supply of the above services was undertaken by the Royal Commission for Jubail and Yanbu ("the Royal Commission"). Pursuant to various government directives, the Parent Company is required to deliver such services to customers in Jubail and Yanbu industrial cities.

Group structure

Subsidiaries
As at 31 December 2019, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries hereinafter referred to as "the Group"):

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

- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Electric Company, Saline Water Conversion Corporation and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.

- Marafiq SAUR Operation and Maintenance Co. ("MASA"), owned 51% by Marafiq, is registered in Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION (Continued)

Joint operating arrangement

As at 31 December 2019, the Group has a Joint Operating Arrangement in the following company:

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

Investment in associates

As at 31 December 2019, the Group has the following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.
- Jeddah Althanyah Water Company, owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet.

The Group's ownership percentage in the above companies is the same in all the periods presented in these consolidated financial statements except for Jeddah Althanyah Water Company which has been incorporated during the year.

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

These consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (Marafiq) and its subsidiaries (the "Group" or "Marafiq") for the year ended 31 December 2019 were approved in accordance with a resolution of the Board of Directors on 2 Shaban 1441H corresponding to 26 March 2020G.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These consolidated financial statements have been prepared on a historical cost basis except for the cash flow hedge of a joint operation that is carried at fair value and obligation for post-employment defined benefits which is measured at projected unit credit method.

These consolidated financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

2.2 Basis of consolidation

These financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2019. 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

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

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)
The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

The Group accounts for its interest in the assets, liabilities, revenues and expenses relating to joint operation.

2.3 Summary of significant accounting policies
Following are the significant accounting policies applied by the Group in preparing its consolidated financial statements. These accounting policies have been consistently applied for all the periods presented except for change in accounting policy for leases mentioned in Note 4.

a) Investments in associates and joint operation
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
a) Investments in associates and joint operation (Continued)
The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and it's carrying value and recognizes the loss as 'Share of profit of associates' in the consolidated income statement.

Upon loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

A joint operation is an arrangement in which the Group has joint control and has rights to assets and obligations for liabilities relating to the joint operation. The activities are undertaken by the Group in conjunction with other joint operators involved in the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the Group as a joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sales of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

b) Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- ➢ Expected to be realised or intended to sold or consumed in the normal operating cycle
- ➢ Held primarily for the purpose of trading
- ➢ Expected to be realised within twelve months after the reporting period, or
- ➢ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- ➢ It is expected to be settled in the normal operating cycle
- ➢ It is held primarily for the purpose of trading
- ➢ It is due to be settled within twelve months after the reporting period, or
- ➢ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

c) Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 23.

d) Revenue recognition

Revenue from contracts with customers is recognized over time to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. All Group's customers are based in the Kingdom of Saudi Arabia. The Group is engaged in providing utility services including water, power and sale of sales gas to various customers in the Kingdom of Saudi Arabia.

The specific recognition criteria described below must also be met before revenue is recognized.

Utility services

The Group recognized revenue as the services are rendered over time as the customers simultaneously receive and consumes the benefit. As per the terms of the utility contracts with the customers, the Group invoices to customers per unit of output delivered to them. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and the Group recognizes revenue amount to which the Group has a right to invoice as the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. As per the utility user agreements (UUA), the amount of consideration is fixed per unit of output. No variable consideration, financing, non-cash consideration and consideration payable to customer is involved in the transaction price.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

d) Revenue recognition (continued)

Unutilized booked capacity

Booked capacity revenue represents billings to customers if utility services usage is less than the agreed quantity (booked capacity) stipulated in the respective Utility User Agreement (UUA) with customers. Such revenues are invoiced and recognized in the period in which it becomes probable that the economic benefit will flow to the Group. The Parent Company is no longer entitled to claim such revenue for invoices issued after 2014 in accordance with Electricity and Co-generation Regulatory Authority (ECRA) directive (refer note 28).

Connection charges

Revenue in respect of connection charges recovered from customers at the time of entering into an agreement are recognized as deferred income and amortized over the expected life of customer relationship as follows:

Industrial customers	20 years
Non-industrial customers	5 years

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated income statement.

Dividends

Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income

Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

e) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognized in OCI or income statement are also recognized in OCI or income statement, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations, if any, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

f) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Contributions by customers of items of property, plant and equipment, which require an obligation on the Group to either connect the customer to the network or to supply the customer with ongoing access to supply of power or water or both, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made in current and non-current liabilities combined. Revenue and the related depreciation is subsequently recognized over the contractual period stipulated in the Utility User Agreement (UUA).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Plant and machinery	12.5 - 20 years
Buildings, wells and civil infrastructure	12.5 - 33.3 years
Meters, pipe networks and lift stations	12.5 - 20 years
Power lines, cables, meters and networks	14.3 - 33.3 years
Common external facilities	20 years
Others	3 - 10 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is available for use in the manner intended by management.

g) Intangible assets

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

Software licences

Intangibles mainly represent software license costs. A summary of the policies applied to the Group's intangible assets is as follows:

	Software licence
Useful lives	5 years
Amortization method used	Amortized on a straight-line basis over the useful life
Internally generated or acquired	Acquired

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

h) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Refer Note 4 for impact of change in accounting policy.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A. As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets such as IT equipment and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease classified as finance leases under IAS 17

The Group leases a number of leases with Royal commission of Jubail and Yanbu (RC). These leases were classified as finance leases under IAS 17. For these leases, the carrying amount of the right-of-use asset and lease liability at 1 January 2019 were determined at the carrying amount of the asset ad lease liability under IAS 17 immediately before that date.

B. As a Lessor

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

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 a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
h) Leases (Continued)

Policy applicable before 1 January 2019
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the 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.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

As a Lessee
Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

i) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Financial instruments — initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments'.

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
(i) Classification and subsequent measurement of financial assets
The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Group initially measures the trade receivables at the transaction price as the trade receivables do not contain a significant financing component.

The Group does not classify any of its financial assets under 'fair value through profit or loss (FVTPL)' or fair value through other comprehensive income (FVOCI).

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
j) Financial instruments — initial recognition and subsequent measurement (Continued)
Financial assets (Continued)
(ii) Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables that result from contracts with the customers. The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the consolidated income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the consolidated income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
j) Financial instruments — initial recognition and subsequent measurement (Continued)
Financial liabilities (Continued)
(iii) Derecognition of financial assets
The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

Financial liabilities
(i) Classification and subsequent measurement of financial liabilities
The group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:
• contingent consideration of an acquirer in a business combination,
• held-for-trading, or
• designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

(ii) Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

(iii) Offsetting
Financial assets and liabilities are off-set and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarized in the following notes:

Accounting policy disclosures	Note 2.3
Disclosures for significant assumptions	Note 3
Property, plant and equipment	Note 6
Intangible assets	Note 7

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

k) Impairment of non-financial assets (Continued)

For assets, excluding goodwill an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

The following specific criteria are also applied in assessing impairment of specific assets:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

l) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

Provision for slow-moving and obsolete inventories are made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

m) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts that are subject to an insignificant risk of changes in value.

n) Short-term deposits

Deposits of original maturity of greater than three months but less than one year are classified as short-term deposits under current assets.

o) Cash dividend and non-cash distribution to owners of equity

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders in the Annual General Assembly. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated income statement.

p) Provisions

General

Provisions are recognized 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
p) Provisions (Continued)
Restructuring provisions
Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability
Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

q) Zakat and income tax
The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an estimated basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized. The Zakat charge in the consolidated income statement represents the Zakat for the Group. The Zakat charge and income tax, if any, assessable on the non-controlling shareholder, is included in non-controlling interest.

r) Deferred tax
Deferred is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilized.

The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilized. Unrecognized deferred income tax assets/liabilities are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority."

Deferred tax is not recognized for:
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

s) Earnings per share
Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Weighted average number of ordinary shares as of 31 December 2019 and 31 December 2018 were 250,000,000 shares.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
t) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plan
The Group is operating unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurement gains and losses are recognized in full in the period in which they occur in consolidated statement of profit or loss and other comprehensive income.

Past service costs are recognized in consolidated income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under ‘cost of sales’ and ‘administration expenses’ in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Employee home ownership program
The Parent Company has established a home ownership program that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. Upon signing the sale contract with the eligible Saudi employees, the relevant housing units are classified under other non-current assets as due from employees at their present value. Down payments and instalments of purchase price received from employees are set off against the amounts due from employees classified under other non-current assets. The cost of the houses and the related purchase price is removed from other non-current assets when title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Group.

Employees’ savings plan
The Parent Company administers an employees’ savings plan on behalf of its employees. Provision is made for the contributions to be made by the Group on behalf of its employees. Contributions from the participants are recorded as a liability and deposited in a separate bank account effectively offsetting the liability however disclosed separately in these consolidated financial statements under notes 14 and 19.2 respectively.

u) Cash flow hedge
The Group uses interest rate swaps (IRS) to hedge its risks associated with interest rates. Such derivative financial instruments are initially recorded at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Transaction costs, if any, for obtaining the hedge are recognized in the consolidated statement of financial position as hedge upfront fee and amortized over the hedge period.

For the purpose of cash flow hedges the Group hedges the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Fair value measurement of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

ii. Defined benefit plans (post-employment benefits)
The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate**,** yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "light" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on the LIC (1975-79) Ultimate mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of end of service benefits schemes. If any other mortality table is used it will not make any significant difference in the results.

A further detail about post-employment benefit obligation is provided in Note 19.1.

iii. Impairment of non-financial assets
Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv. Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives 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. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

v. Residual value of property, plant and equipment
The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

vi. Useful lives of intangibles
The Group shall review the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group shall change the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group shall change the amortization method to reflect the changed pattern. Such changes shall be account for as changes in accounting estimates in accordance with IAS 8.

vii. Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. This estimation is performed on an individual line item basis and a provision for non-moving and obsolete inventory items applied according to the inventory type and the degree of ageing or obsolescence.

viii. Zakat and income tax
The Group is subject to zakat and income tax in accordance with the General Authority of Zakat and Tax ("GAZT") regulations. Zakat and income taxes are provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat and income tax rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Group retains exposure to additional Zakat and income tax liability.

ix. Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

a) Measurement of ECLs
ECLs 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).

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

ix. Impairment of financial assets (Continued)

b) Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities 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 cash flows 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 being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

c) Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

d) Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

x. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

xi. Lease term and estimating the incremental borrowing rate

Extension and termination options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and also where such options held are exercisable only by the Group and not by the respective lessor. Options are not included in the lease liabilities where the leased assets could be replaced without significant cost or business disruptions.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES
The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, as described in Note 5, but they do not have a material effect on the Group's consolidated financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the previous accounting policies.

The Group has applied IFRS 16 using modified retrospective approach, under which the lease liability has been calculated on a forward-looking basis from the transition date with right-of-use asset as being equal to the lease liability as of 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details for the changes in accounting policies are disclosed below:

A. Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an arrangements contains a lease'. The Group now assesses whether a contract is or contains a lease based on new definition of a lease. Under IFRS 16, a contract is, or contains, a lease it the contract conveys a right to control the use of an identified asset for the period of time it exchange the consideration.

On transition to IFRS 16, the Group elected to apply practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee
The Group leased many assets including land, houses and vehicles.

As a lessee, the Group previously classified leases as operating leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of- use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

	Land	**Buildings, wells and civil infrastructure**	**Other equipment**	**Total**
	SR '000	SR '000	SR '000	SR '000
Recognition of right-of-use asset on initial application of IFRS 16 as at 1 January 2019	365,277	10,848	11,341	387,466
Balance as at 31 December 2019	**368,827**	**5,298**	**21,622**	**395,747**

The following table shows the reconciliation of operating lease commitments under IAS 17 to the lease liabilities under IFRS 16 on 1 January 2019:

	2019
	SR '000
Operating lease commitments at 31 December 2018 under IAS 17	533,639
Discounted using the incremental borrowing rate at 1 January 2019	387,466
Lease liability recognised at 1 January 2019	**387,466**

The group presents 'lease liabilities' in the consolidated statement of financial position (refer Note 32).

The Group has applied judgment to determine the lease term for lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. As a lessee (Continued)

i. Transition

Previously, the Group classified property, buildings and vehicles' leases as operating lease under IAS 17. Some leases include option to renew the lease to an extended period that is to be mutually agreed between the parties. Further, some leases provide for additional rent payments that are based on annual increments.

At transition, for leases classified as operating leases under IAS 17, lease liability were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

The Group used the following practical expedients when applying IFRS 16 to lease previously recognised as operating lease under IAS 17.

- Applied exemption not to recognise right-of-use assets and liabilities for low value lease and leases with less than 12 months of lease term.
- Excluded initial directs costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Impact on consolidated financial statements

As a result of initial application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized SR 387.5 million of right-of-use assets and SR 387.5 million of lease liabilities as at 1 January 2019.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognized SR 32.8 million of depreciation charge and SR 15.7 million of interest costs from these leases. As at 31 December 2019, the carrying amount of right of use assets amounts to SR 395.7 million with SR 417.2 million recognized in lease liabilities.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 3.69%.

5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

i. New and revised standards with no material effect on the consolidated financial statements

The following new or amended standards were adopted during the year, which did not have significant impact on the consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments,
- Prepayment Features with Negative Compensation – Amendments to IFRS 9,
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28,
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19, and
- Annual improvements 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

ii. Accounting standards issued but not yet effective

The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing on or after 1 January 2020.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); Refer below
- IFRS 17 Insurance Contracts; and
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28).

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

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5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

ii. Accounting standards issued but not yet effective (Continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss and other comprehensive income.

Transition from LIBOR to risk free rates

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

IBOR reform and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments.

As part of the Group's risk management strategy, the Group uses financial instruments to manage exposures arising from variation of interest rates that could affect profit or loss and other comprehensive income and applies hedge accounting to these instruments. All of these financial instruments are also referenced to LIBOR. The Group has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Group are:

- When considering the 'highly probable' requirement, Group has assumed that the LIBOR interest rate on which hedged debts are based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis Group has assumed that the LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by IBOR reform.
- Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80 – 125% range.
- Further, the Group has availed the exemption from the disclosure requirements in paragraph 28 (f) of IAS 8 – Accounting policies, changes in accounting estimates and errors upon the initial application of the amendments to simplify the disclosure requirements.

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work –in-progress (Note 6.2)	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2018	25,184	17,136,682	3,224,903	3,881,544	2,303,078	90,354	466,081	1,847,971	28,975,797
Additions	-	13,636	227,684	75,256	10,308	15	53,190	222,414	602,503
Transfers (Note 6.5)	-	590,449	-	62,626	59,118	-	(1,344)	(727,537)	(16,688)
Disposals	-	(1,861)	(189,379)	(14,912)	-	-	(7,232)	-	(213,384)
Adjustments (Note 6.4)	-	(559,660)	(23,997)	(21,643)	(12,647)	-	-	-	(617,947)
Balance at 31 December 2018	25,184	17,179,246	3,239,211	3,982,871	2,359,857	90,369	510,695	1,342,848	28,730,281
Recognition of right-of-use asset on initial application of IFRS 16	**365,277**	**-**	**10,848**	**-**	**-**	**-**	**11,341**	**-**	**387,466**
Additions	**21,050**	**32,368**	**11,500**	**71,103**	**391,329**	**-**	**48,893**	**561,466**	**1,137,709**
Disposals	**-**	**(1,653)**	**(12,647)**	**-**	**-**	**-**	**(422)**	**-**	**(14,722)**
Transfers (Note 6.5)	**-**	**93,829**	**24,890**	**12,112**	**44,808**	**-**	**15,768**	**(170,017)**	**21,390**
Balance at 31 December 2019	**411,511**	**17,303,790**	**3,273,802**	**4,066,086**	**2,795,994**	**90,369**	**586,275**	**1,734,297**	**30,262,124**
Accumulated depreciation									
Balance at 1 January 2018	-	4,254,076	1,078,397	1,202,901	508,787	29,056	335,088	-	7,408,305
Depreciation	-	906,667	100,652	180,323	103,299	5,006	38,278	-	1,334,225
Disposals	-	(1,771)	-	(3,348)	-	-	(6,989)	-	(12,108)
Adjustments (Note 6.4)	-	(62,736)	(1,626)	(1,353)	(827)	-	-	-	(66,542)
Balance at 31 December 2018	-	5,096,236	1,177,423	1,378,523	611,259	34,062	366,377	-	8,663,880
Depreciation (Note 26.2)	**17,500**	**834,299**	**100,048**	**177,298**	**140,102**	**5,008**	**47,264**	**-**	**1,321,519**
Disposals	**-**	**(1,653)**	**-**	**-**	**-**	**-**	**(422)**	**-**	**(2,075)**
Balance at 31 December 2019	**17,500**	**5,928,882**	**1,277,471**	**1,555,821**	**751,361**	**39,070**	**413,219**	**-**	**9,983,324**
Carrying value:									
Balance at 31 December 2019	**394,011**	**11,374,908**	**1,996,331**	**2,510,265**	**2,044,633**	**51,299**	**173,056**	**1,734,297**	**20,278,800**
Balance at 31 December 2018	25,184	12,083,010	2,061,788	2,604,348	1,748,598	56,307	144,318	1,342,848	20,066,401

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Leased assets
The carrying value of right-of-use assets were SR 2,974.6 million as of 31 December 2019 (31 December 2018: SR 3,280.6 million). Additions include assets valued SR 1.6 million for the year ended 31 December 2019 (31 December 2018: SR 70.7 million) transferred from Royal Commission for Jubail and Yanbu and SR 428.6 million additions for right-of-use assets during the year ended 31 December 2019 (31 December 2018: Nil).

6.2 Capital work-in-progress
Capital work-in-progress mainly represents costs incurred on new projects for installation of new plant and machinery, civil infrastructure and equipment for various facilities of the Group.

6.3 Assets under charge
Property plant and equipment with a carrying amount of SR 4,754.5 million (31 December 2018: SR 5,625.4 million) are subject to a first charge and second charge to secure SIDF loans (refer to Note 18).

6.4 Adjustments
During the year ended 31 December 2018, the Parent Company entered into settlement agreement with a contractor to settle its claim regarding delay penalty for certain projects in Yanbu. As a result, the Parent Company adjusted property, plant and equipment with a carrying value of SR 551.4 million with a corresponding gain amounting to SR 66.5 million recognised in consolidated income statement (refer to Note 27).

6.5 Transfers
Property, plant and equipment with a carrying amount of SR 12.3 million were transferred during the year from inventories (31 December 2018: SR 15.2 million), and SR 12.6 million were transferred for houses to employees under home ownership program (31 December 2018: Nil) and SR 3.6 million were also transferred to intangible assets (31 December 2018: SR 1.5 million transfer to inventories and intangible).

7. INTANGIBLE ASSETS

	2019	2018
	SR '000	SR '000
Cost		
Opening balance	**184,494**	180,695
Additions	**64**	2,283
Transfers from capital work in progress (Note 6.5)	**3,555**	1,516
Closing balance	**188,113**	184,494
Accumulated amortization		
Opening balance	**172,230**	163,979
Amortization	**7,075**	8,251
Closing balance	**179,305**	172,230
Carrying value		
At 31 December	**8,808**	12,264

8. GROUP INFORMATION

8.1 Subsidiaries

(i) One of the subsidiaries, TAWREED, entered into twenty years Power and Water Purchase Agreement (PWPA) with Jubail Water and Power Company (JWAP) for JWAP to construct, own, operate and transfer an Independent Water and Power Plant (IWPP). As per the PWPA, JWAP agreed to sell the entire power and water capacity and output of the IWPP only to TAWREED as per the rates stipulated in the PWPA.

(ii) TAWREED has entered into a back-to-back On-Sale Agreement (the "On-Sale Agreement") with Saudi Electric Company (SEC), Saline Water Conversion Corporation (SWCC) and Marafiq (the three jointly known as the "On-Sale Parties") for a similar term of twenty years to sell the entire power and water purchased from JWAP. Based on the terms of the On-Sale Agreement, all costs incurred by TAWREED, such as the cost of power and water capacity and water output, fuel cost, overheads and development costs, etc., are to be repaid by the On-Sale Parties without any mark up.

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8. GROUP INFORMATION (Continued)

8.1 Subsidiaries (Continued)

(iii) Financial information of MASA that has a non-controlling interest before intra-group eliminations is provided below:

Summarized statement of financial position

	2019	2018
	SR '000	SR '000
Current assets	**238,851**	237,442
Non-current assets	**41,738**	35,629
Current liabilities	**167,203**	153,404
Non-current liabilities	**29,313**	25,010
Equity	**84,073**	94,657

Summarized statements of profit or loss and other comprehensive income

	2019	2018
	SR '000	SR '000
Revenue	**508,677**	519,751
Profit before Zakat and income tax	**37,824**	48,213
Zakat	**(580)**	(541)
Income tax	**(4,731)**	(4,391)
Profit for the year	**32,512**	43,281
Other comprehensive loss	**(335)**	(2,813)
Total comprehensive income	**32,178**	40,468
Attributable to non-controlling interest (NCI)	**14,774**	20,134
Dividends declared / paid to NCI	**(18,930)**	(15,885)

Summarized statement of cashflows

	2019	2018
	SR '000	SR '000
Cash flows from operating activities	**58,002**	47,602
Cash flows from investing activities	**(5,926)**	(5,144)
Cash flows from financing activities	**(55,867)**	(39,599)
Net (decrease) / increase in cash and cash equivalents	**(3,791)**	2,859

8.2 Joint operation

Key financial highlights of Jubail Water and Power Company which has been accounted for as Joint Operation in these consolidated financial statements are provided below:

Summarized statement of financial position

	2019	2018
	SR '000	SR '000
Current assets	**937,381**	923,111
Non-current assets	**8,149,211**	8,572,226
Current liabilities	**869,294**	835,494
Non-current liabilities	**6,323,049**	6,680,305
Equity	**1,894,249**	1,979,538

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8. GROUP INFORMATION (Continued)

8.2 Joint operation (Continued)

Summarized statement of profit or loss and other comprehensive income

	2019	2018
	SR '000	SR '000
Revenue	**1,141,040**	1,145,279
Profit before zakat	**281,421**	319,578
Zakat and income tax	**(28,398)**	(33,519)
Profit for the year	**253,023**	286,059
Other comprehensive income	**110,980**	242,059
Total comprehensive income	**364,003**	528,118

8.3 Equity accounted investees - associates
As at 31 December 2019, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by the Parent Company, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu. As at 31 December 2019, the investment was carried at SR 0.04 million (31 December 2018: SR 0.06 million) using equity accounting method (refer note 1 for details).
- Jeddah Althanyah Water Company, owned 45% by the Parent Company, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet. As at 31 December 2019, the investment was carried at SR 0.05 million (31 December 2018: Nil) using equity accounting method (refer note 1 for details).

8.4 Investees include financial assets and financial liabilities amounting to SR 1,150.1 million and SR 7,705.8 million respectively (31 December 2018: SR 1,179.6 million and SR 8,229.9 million respectively). Financial assets include trade receivables, short term deposits, cash and cash equivalents and certain other receivables. Financial liabilities include loans and borrowings, trade payables, derivatives, accrued expense and certain other payables.

Profit for the year for investees include interest income amounting to SR 6.6 million (31 December 2018: SR 4.8 million) from investment in short term deposits.

9. LONG TERM RECEIVABLES AND PREPAYMENTS

	2019	2018
	SR '000	SR '000
Due from employees under home ownership program (Note 9.1)	**343,785**	415,040
Deferred employee benefit	**39,830**	51,944
Deferred cost (Note 9.2)	**23,899**	28,774
Long-term prepayments	**1,934**	2,169
	409,448	497,927

9.1 Due from employee under home ownership program
The Parent Company has established an employee home ownership program (HOP) that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. The cost of land and construction costs of the housing units are repayable by employees over a period up to twenty years. The ownership of the housing units is transferred to employees upon full payment of the amounts due. This amount, recorded at amortized cost, represents the cost of housing units sold to the employees under employee home ownership program. During the year ended 31 December 2018, the Parent Company revised its accounting treatment for receivable from employees under home ownership program. Up to 31 December 2017, discounting effect on receivable from employees was charged to consolidated income statement. During 2018, the Parent Company reconsidered this treatment and recognised discounting effect as deferred employee benefit. As a result, the Parent Company adjusted the carrying amount of due from employees under home ownership program and recognized deferred employee benefit asset which is being amortized on straight line over average duration of home ownership scheme. Further, the Parent Company recognised finance income of SR 66.4 million during the year ended 31 December 2018.

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9. LONG TERM RECEIVABLES AND PREPAYMENTS (Continued)

9.1 Due from employee under home ownership program (Continued)
The Group does not expect any impairment losses against this balance given the historical default experience together with the underlying value of the residential units and that the amounts due are deductible from monthly salaries of employees. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for due from employee home ownership program.

9.2 Deferred cost
Deferred cost is related to Parent Company's proportionate share in JWAP. The components of deferred cost are as follows:

	2019	2018
	SR '000	SR '000
Initial and strategic spares	**17,354**	18,957
Consultation charges	**6,545**	9,817
	23,899	28,774

Initial and strategic spares represent certain major capital spares acquired by JWAP and handed over to the O&M Contractor under the O&M Agreement. These are amortised over the term of operation and maintenance agreement starting from the commencement of commercial operations.

10. INVENTORIES

	2019	2018
	SR '000	SR '000
Spare parts	**396,593**	371,315
Fuel oil	**29,756**	14,462
Others	**9,427**	11,071
	435,776	396,848
Less: Provision for slow-moving and obsolete inventories	**(157,768)**	(146,421)
	278,008	250,427

The movements in the provision for slow-moving and obsolete inventories is:

	2019	2018
	SR '000	SR '000
Opening balance	**146,421**	106,794
Provision made during the year	**11,347**	39,627
Closing balance	**157,768**	146,421

11. TRADE RECEIVABLES

	2019	2018
	SR '000	SR '000
Trade receivables – related parties (Note 31.2)	**465,356**	775,514
Trade receivables – others	**365,688**	326,418
	831,044	1,101,932
Provision for credit impairment	**(23,465)**	(36,667)
	807,579	1,065,265

For terms and conditions relating to trade receivables from related party receivables, refer to Note 31.

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11. TRADE RECEIVABLES (Continued)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2019	2018
	SR '000	SR '000
Opening balance	**36,667**	37,798
Charge for the year	**-**	13,202
Reversal / write off during the year	**(13,202)**	(14,333)
Closing balance	**23,465**	36,667

As at year end, the ageing analysis of trade receivables is as follows:

	Total	**Up to 6 months**	**6 to 12 months**	**12 to 24 months**	**24 to 36 months**	**More than 36 months**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**	**SR '000**
ECL percentage		**1.22%**	**1.68%**	**3.93%**	**9.85%**	**53.25%**
Gross balance						
2019	**831,043**	**667,138**	**55,642**	**72,082**	**17,583**	**18,598**
2018	1,101,932	671,608	111,932	226,474	47,114	44,804

See Note 23 on credit risk of trade receivables, which discusses how the Group manages and measures credit risk of trade receivables that are neither past due nor impaired.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	2018
	SR '000	SR '000
Accrued revenue	**235,263**	219,974
SEC margin (Note 12.1)	**182,743**	816,341
Advances and other receivables	**126,556**	79,606
Prepayments and others	**51,720**	29,554
Accrued finance income	**542**	3,190
Zakat and income tax receivable from shareholders (Note 31.2)	**-**	14,913
	596,824	1,163,578

12.1 SEC margin represents compensation receivable by the Parent Company for the power produced by JWAP. Refer note 27.2.

13. SHORT-TERM DEPOSITS

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

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14. CASH AND CASH EQUIVALENTS

	2019	2018
	SR '000	SR '000
Cash in hand	40	-
Cash at bank	138,494	92,250
Short term deposits	946,810	1,272,020
Cash and cash equivalents	1,085,344	1,364,270

Cash and cash equivalents include cash and bank balances and demand deposits with original maturities of three months or less.

Short-term deposits earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Bank balances at 31 December 2019 include SR 25.02 million (31 December 2018: SR 25.91 million) representing employees' contributions and finance income pertaining to the employees' saving plan.

15. SHARE CAPITAL AND RESERVES

	2019	2018
	SR '000	SR '000
Authorized and issued shares		
Ordinary shares of SR 10 each – Number	250,000	250,000
Ordinary shares issued and fully paid – SR	2,500,000	2,500,000

15.1 Statutory reserve

In accordance with By-laws of the Parent Company, the Parent Company must set aside a statutory reserve by the appropriation of 4% of net profit until the reserve equals 20% of the share capital. This reserve is not available for distribution to the shareholders.

16. DIVIDENDS

	2019	2018
	SR '000	SR '000
Dividends to shareholders of the Parent Company	125,000	175,000
Weighted average number of ordinary shares outstanding during the year	250,000	250,000
Dividend per share – SR	0.5	0.7

In ordinary general assembly meeting held on 20 June 2019, shareholders of the Parent Company approved to distribute dividends amounting to SR 125 million equivalent to 5% of the share capital (31 December 2018: SR 175 million) which was paid after deduction of respective share of Zakat of each shareholder.

17. EARNINGS PER SHARE

Basic earnings per share for profit and loss attributable to ordinary shares holders for the year ended 31 December are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue

	2019	2018
	SR '000	SR '000
Profit attributable to ordinary shareholders – SR	198,270	203,965
Weighted average number of ordinary shares outstanding during the year	250,000	250,000
Basic and dilutive earnings per share – SR	0.79	0.82

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18. BANK LOANS AND BORROWINGS

	2019	2018
	SR '000	SR '000
MARAFIQ		
First Murabaha	**-**	1,514,000
Second Murabaha	**-**	3,200,000
Third Murabaha	**-**	2,500,000
Fourth Murabaha	**1,500,000**	-
Fifth Murabaha	**1,500,000**	-
Sixth Murabaha	**3,400,000**	-
SIDF	**1,308,000**	1,427,000
	7,708,000	8,641,000
Less: Unamortised transaction costs	**(124,781)**	(174,584)
	7,583,219	8,466,416
JWAP		
Shariah compliant and other long-term loans (Note 18.2)	**2,005,391**	2,153,129
Less: Unamortised transaction costs	**(34,251)**	(37,587)
	1,971,140	2,115,542
MASA		
Murabaha	**-**	3,750
Total	**9,554,359**	10,585,708

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

	2019	2018
	SR '000	SR '000
Current maturity under current liabilities	**275,688**	1,070,665
Non-current maturity under non-current liabilities	**9,278,671**	9,515,043
	9,554,359	10,585,708

Movement in bank loans and borrowings is as follows:

	2019	2018
	SR '000	SR '000
Opening balance	**10,797,879**	11,682,512
Additions	**6,400,000**	2,500,000
Payments made during the year	**(7,484,488)**	(3,384,633)
	9,713,391	10,797,879
Less: Unamortized transaction costs	**(159,032)**	(212,171)
Closing balance	**9,554,359**	10,585,708

Movement in unamortized transaction cost is as follows:

	2019	2018
	SR '000	SR '000
Opening balance	**212,171**	193,277
Additions	**58,900**	57,696
Amortization during the year	**(112,039)**	(38,802)
Closing balance	**159,032**	212,171

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18. BANK LOANS AND BORROWINGS (Continued)

18.1 *MARAFIQ*

Murabaha

The Parent Company entered into three Murabaha Facility Agreements under syndicated arrangements with various banks for an aggregate amount of SR 9.5 billion which was fully utilized as at 31 December 2018. During the year ended 31 December 2019, these loans have been fully settled by the Parent Company and all un-amortized transaction costs were charged to consolidated income statement . During the year ended 31 December 2019, the Parent Company entered into three new loan agreements with three banks to restructure the existing Murabaha facilities with new loans with extended tenor. The new loans have aggregate amount of SR 6.4 billion (SR 1.5 billion, SR 1.5 billion and SR 3.4 billion) which was fully utilized as at 31 December 2019.

The Parent Company's payment obligations under the Murabaha Facility Documents rank pari passu with the claims of all its other unsecured creditors, except for obligations mandatorily preferred by law. The loan agreements include certain financial covenants including debt to tangible net worth and debt service coverage, to be maintained by the Parent Company during the term of the loans and at the year-end, the Parent Company complied with such covenants. These facilities carry finance charges at Saudi Inter Bank Offered Rate (SIBOR) plus a margin.

Saudi Industrial Development Fund (SIDF)

The loan agreements entered into with SIDF on 26 May 2016 provided for two loans in the aggregate amount of SR 1.56 billion to finance the construction of certain of the Parent Company's production facilities. The Parent Company has drawn full amount as at 31 December 2018. Up-front fees and annual administrative expenses are charged by SIDF under the loan agreement. The loans are payable in seventeen unequal semi-annual instalments which commenced in January 2018.

The above loans are secured by a mortgage on certain assets of the Parent Company. The covenants of the borrowing facility with SIDF require the Parent Company to maintain certain level of financial conditions, limiting the annual dividends distribution and annual capital expenditures above certain limits.

18.2 *JWAP*

	2019	2018
	SR '000	SR '000
International (Note a)	**1,272,014**	1,340,855
Islamic (Note b)	**500,136**	527,204
KEIC covered (Note c)	**233,241**	285,070
	2,005,391	2,153,129

a) During 2016, JWAP signed the Loan Reserve Account ("LRA") facility with two commercial banks amounting to USD 122 million under which the LRA lenders provide a letter of credit for the benefit of the long-term lenders. The value of the letter of credit is set annually and sized at an amount equivalent to six months debt service or USD 122 million whichever is lower. During 2017, JWAP renewed the LRA facility amounting to USD 125 million. Under this facility, the value of the letter of credit is set annually and sized at an amount equivalent to six months debt service or USD 125 million, whichever is lower.

b) The Islamic loan is structured in a manner whereby the Islamic lenders purchased certain assets of JWAP and leased the assets to JWAP for 20 years lease term. The cost of the lease is set by reference to LIBOR plus a margin.

c) JWAP and the arrangers have signed a Common Terms Agreement ("CTA"). Under the CTA, the lenders share in security granted by JWAP. This security includes charges over the JWAP'S assets (including plant and bank accounts) and the key project contracts. The CTA also includes certain covenants requiring JWAP to maintain certain financial ratios and restricting additional indebtedness and distributions to JWAP's shareholders.

d) During the year, JWAP obtained working capital loans to fulfil the short-term finance needs of the Company from a local bank. The facility was payable on-demand and carried interest at commercial rates. The loan was repaid during the year.

The aggregate maturities of the loans are summarised as follows:

	2019	2018
	SR '000	SR '000
2019	**-**	1,105,762
2020	**301,343**	1,136,616
2021	**339,582**	1,174,854
2022	**382,282**	1,244,555
2023	**426,426**	1,315,699
2023 and above	**8,263,758**	4,820,393
	9,713,391	10,797,879

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19. OTHER NON-CURRENT LIABILITIES

	2019	2018
	SR '000	SR '000
Obligation for assets transferred (Note 31.4)	**1,066,927**	639,180
Obligation for post-employment defined benefits (Note 19.1)	**579,969**	635,152
Deferred income	**305,811**	326,566
Fair value of derivatives	**63,512**	30,813
Employees' savings plan (Note 19.2)	**42,412**	44,575
Others	**6,294**	6,297
	2,064,925	1,682,583

19.1 Post-employment defined benefit plan

The Group has post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The Group and its subsidiaries recognized the benefits in the consolidated income statement. The benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in consolidated income statement and amounts recognized in the consolidated statement of financial position.

Movement in the present value of defined benefit obligation

	2019	2018
	SR '000	SR '000
Defined benefit obligation at 1 January	**635,152**	547,646
Interest cost	**19,951**	20,903
Current service cost	**59,951**	62,239
Net benefit expense recognized in consolidated income statement	**79,902**	83,142
Re-measurement (gain) / loss recognized in other comprehensive income	**(2,809)**	27,895
Benefits paid	**(132,276)**	(23,531)
Net defined benefits liability at 31 December	**579,969**	635,152

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	2019	2018
Discount rate	**3.90% - 3.85%**	4.3% - 4.6%
Future salary increases	**2.95% - 4.30%**	3.7% - 5%
Normal retirement age	**60 years**	60 years
Withdrawal rate	**High**	Moderate

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2019 and 31 December 2018 is shown below:

Assumption	Discount rate	
Sensitivity Level	**1% increase**	**1% decrease**
	SR '000	**SR '000**
Defined benefit obligation as at 31 December 2019	**478,510**	**607,269**
Defined benefit obligation as at 31 December 2018	561,007	676,163

Assumption	Future salary increases	
Sensitivity Level	**1% increase**	**1% decrease**
	SR 000	**SR 000**
Defined benefit obligation as at 31 December 2019	**612,025**	**477,063**
Defined benefit obligation as at 31 December 2018	677,873	554,447

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19. OTHER NON-CURRENT LIABILITIES (Continued)

19.1 Post-employment defined benefit plan (Continued)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19.2 Employees' savings plan

	2019	2018
	SR '000	SR '000
Opening balance	**44,575**	42,570
Additions	**15,650**	14,907
Payments	**(17,813)**	(12,902)
Closing balance	**42,412**	44,575

20. TRADE PAYABLES

	2019	2018
	SR '000	SR '000
Trade payables	**233,210**	201,528
Due to related parties (Note 31.3)	**239,924**	421,008
Retention payable	**202,699**	210,412
Due to contractors	**35,785**	-
	711,618	832,948

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2019	2018
	SR '000	SR '000
Provision for employee cost optimization (Note 26.1)	**87,000**	100,000
Fair value of derivatives	**45,279**	42,850
Accrued finance charges	**34,352**	48,366
Deferred income – current portion	**29,063**	29,498
Provision for Zakat and income tax (Note 22)	**21,940**	70,587
Provision for refund of booked capacity (Note 28.1)	**-**	65,322
Accrued expenses and other payables – related parties (Note 31.3)	**181,961**	473,599
Accrued expenses and other payables – others	**544,325**	472,077
	943,920	1,302,299

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22. ZAKAT AND INCOME TAX

Zakat and income tax charge for the year represents the accumulated amount of the Zakat and income tax provision made by the Parent Company and its subsidiaries.

During the year ended 31 December 2017, Royal Decree No. 131 was issued whereby the scope of taxable persons has been expanded to include Kingdom resident capital companies with respect to shares owned directly or indirectly by persons engaged in the production of oil and hydrocarbons. This amendment has resulted in a change in tax profile of companies having shares owned, whether directly or indirectly, by Saudi Arabian oil & hydrocarbon producing companies that were previously subject to Zakat.

Consequently, as Saudi Aramco, a shareholder of the Parent Company, is engaged in oil & hydrocarbon production, the Parent Company and its investees are subject to income tax to the extent of Saudi Aramco's shareholding in the Parent Company.

On 31 January 2019, the General Authority for Zakat and Tax (GAZT) issued Transfer Pricing Bylaws (By-laws). These by-laws were enacted on 15 February 2019 as part of the tax law and became binding on tax payers for periods ending on or after 31 December 2018. This requires additional disclosure forms along with annual tax returns to be submitted to GAZT, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. These By-laws also require tax payers to adjust their tax expense for any transactions that are not carried out on an arms' length basis. Management has submitted disclosure form to GAZT for the year ended 31 December 2018 in compliance with By-Laws.

Amounts recognized in consolidated income statement

	2019	2018
	SR '000	SR '000
Zakat		
- Charge for the year	**18,826**	20,208
- Reversal of excess provision for prior period	**(47,308)**	(15,827)
Income tax		
- Current tax charge	**11,356**	12,353
- Prior tax charge	**64**	52
- Deferred tax charge	**14,456**	16,456
	(2,606)	33,242

Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2019	2018
	SR '000	SR '000
Deferred tax related to re-measurement loss on defined benefit obligation	**(199)**	1,625
Deferred tax related to cash flow hedge of a joint operation	**1,952**	4,269
	1,753	5,894

The principal elements of the Zakat base of the Parent Company are as follows:

	2019	2018
	SR '000	SR '000
Non-current assets	**19,430,359**	19,193,301
Non-current liabilities	**12,423,795**	12,094,850
Opening shareholder equity	**7,470,377**	7,302,453
Net income before Zakat	**217,380**	271,235
Spare parts	**348,157**	326,269
Dividends paid, net of Zakat	**110,087**	150,687

Some of the above amounts have been adjusted in arriving at approximate Zakat base and the Zakat charge for the year.

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22. ZAKAT AND INCOME TAX (Continued)

(i) Movement in Zakat and income tax provision

	2019	2018
	SR '000	SR '000
At 1 January	**70,587**	94,734
Provision for Zakat and income tax	**28,050**	32,561
Prior year charge / reversal	**2,222**	-
Reversal of provision	**(47,334)**	(15,775)
Payment of Zakat and income tax	**(31,585)**	(40,933)
At 31 December	**21,940**	70,587

Due to the tax losses incurred during the year ended 31 December 2019, no income tax has been charged in the Parent Company's financial statements (31 December 2018: Nil).

The income tax charge for the year ended 31 December 2019 of SR 3.8 million (31 December 2018: SR 3.49 million) for the non-controlling shareholder has been included as part of the non-controlling interest.

(ii) Deferred tax

The deferred tax asset/liability are attributable to the following items:

	2019	2018
	SR '000	SR '000
Difference in accounting and tax base related to:		
- Tangible assets and intangible assets	**322,815**	252,975
- Deferred costs	**1,231**	1,396
Deferred tax liability	**324,046**	254,371
Carried forward tax losses	**245,449**	184,931
Difference in accounting and tax base related to:		
- Employee benefits	**28,144**	34,271
- Provisions on receivables and inventories	**10,195**	9,460
- Negative fair value of derivatives	**9,661**	4,094
- Other provisions	**3,892**	8,203
Deferred tax assets	**297,341**	240,959

(iii) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)
Marafiq finalised the Zakat assessment for the years 2003 to 2006 in prior periods. During the year ended 31 December 2019, the General Authority for Zakat and Tax (GAZT) finalized the Zakat and income tax assessments of Marafiq for the years from 2007 to 2018 with no additional liability on Marafiq. Consequently, Marafiq reversed excess provision amounting to SR 47.3 million during the year (2018: Nil).

Marafiq Water and Power Supply Company (TAWREED)
The Zakat assessments of TAWREED have been received up to 31 December 2008. In 2012, TAWREED received assessments for the years 2009 and 2010 claiming an additional Zakat of SR 26,894. TAWREED filed an objection against these assessments. Assessments for the years 2011 through 2018 are under review by the GAZT.

Jubail Water and Power Company (JWAP)
In 2018, the Zakat assessment of JWAP were issued for the years 2007 through 2012 with an additional Zakat and tax liability of approximately SR 121 million. JWAP paid and recorded a provision of SR 4 million based on internal assessment and filed an appeal against the assessment. During the year ended 31 December 2019, GAZT issued revised assessment for the said years with an additional Zakat and tax liability of SR 106 million. JWAP has filed an appeal against the revised assessment and is confident of favourable outcome. The assessment for years 2013 through 2018 have not yet been raised by GAZT.

Marafiq SAUR Operation and Maintenance Company (MASA)
The assessments for the years since inception through 2018 are under review with the GAZT.

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22. ZAKAT AND INCOME TAX (Continued)

(iv) Reconciliation of accounting profit to income tax charge

	2019	2018
	SR '000	SR '000
Profit before Zakat and income tax	**210,437**	257,341
Tax at 20%	**42,087**	51,468
Effect of profit subject to Zakat	**(31,646)**	(40,916)
Effect of permanent differences	**14,793**	9,385
Others	**642**	8,924
Income tax charge for the year	**25,876**	28,861

23. FINANCIAL INSTRUMENTS

23.1 Financial assets

	2019	2018
	SR '000	SR '000
Trade receivables (Note 11)	**831,044**	1,101,932
Other receivables	**474,853**	1,109,861
Due from employee home ownership program (Note 9)	**343,785**	415,040
Short term deposits	**36,000**	53,100
Cash and cash equivalents (Note 14)	**1,085,344**	1,364,270
Total financial assets not measured at fair value	**2,771,026**	4,044,203

23.2 Financial liabilities

	2019	2018
	SR '000	SR '000
Loans and borrowings (Note 23.2.1)	**9,713,391**	10,797,879
Lease liabilities (Note 32)	**3,321,023**	3,216,533
Other non-current liabilities	**1,109,339**	690,052
Trade payables (Note 20)	**711,618**	832,948
Accrued expense and other payables	**847,638**	1,159,364
Total financial liabilities not measured at fair value	**15,703,009**	16,696,776

23.2.1 Bank loans and borrowings (Note 18)

	Interest rate %	Maturity	**2019**	2018
			SR '000	SR '000
Marafiq				
First Murabaha	SIBOR + margin	-	-	1,514,000
Second Murabaha	SIBOR + margin	-	-	3,200,000
Third Murabaha	SIBOR + margin	-	-	2,500,000
Fourth Murabaha	SIBOR + margin	2034	**1,500,000**	-
Fifth Murabaha	SIBOR + margin	2034	**1,500,000**	-
Sixth Murabaha	SIBOR + margin	2034	**3,400,000**	-
SIDF	-	2025	**1,308,000**	1,427,000
JWAP				
International loans	LIBOR + margin	2029	**1,272,014**	1,340,855
KEIC covered loans	LIBOR + margin	2024	**233,241**	285,070
Islamic loans	LIBOR + margin	2029	**500,136**	527,204
MASA				
Murabaha	SIBOR + margin	2019	-	3,750
			9,713,391	10,797,879

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23. FINANCIAL INSTRUMENTS (Continued)

23.3 Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortized cost except for the cash flow hedge in JWAP that is carried at fair value on a recurring basis.

The Group has not disclosed the fair value for financial instruments such as short-term trade and other receivables, trade and other payables and cash and bank balances, as their carrying amounts are a reasonable approximation of fair values largely because of short-term maturity of these instruments. The fair value of Murabaha, SIDF and other loans facilities is approximately the same as their carrying value.

Fair value hedge

As at 31 December 2019, JWAP held Interest Rate Swaps ("IRS") of a notional value of SR 2.3 billion (31 December 2018: SR 1.8 billion), in order to reduce its exposure to interest rate risks against long-term financing. The table below shows the fair values of derivative financial instruments, recorded as liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

	31 December 2019		31 December 2018	
	Liabilities SR '000	***Notional amount SR '000***	*Liabilities SR '000*	*Notional amount SR '000*
Cash flow hedges				
Interest rate swaps	**108,791**	**2,338,964**	73,663	1,843,009

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

Fair values of cash flows hedge of SR 45.27 million and SR 63.51 million (31 December 2018: SR 42.84 million and SR 30.81 million respectively) represents the current and non-current portion of the negative mark to market values of the interest rate swaps as of 31 December 2019. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in the consolidated income statement when the hedged transaction impacts the income or loss. Under the finance agreements, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the IRS are recognised in the consolidated income statement.

Fair value hierarchy of financial instruments

	Fair value			
31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Share of cash flow hedge reserve of a joint operation	**-**	**(102,745)**	**-**	**(102,745)**

	Fair value			
31 December 2018	Level 1	Level 2	Level 3	Total fair value
Share of cash flow hedge reserve of a joint operation	-	(69,569)	-	(69,569)

Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected cash flows			
	Carrying amount	***Total***	***12 months or less***	***More than one year***	***More than five years***
31 December 2019					
Interest rate swaps					
Liabilities	**108,791**	**4,084**	**17,622**	**(11,166)**	**(2,372)**
31 December 2018					
Interest rate swaps					
Liabilities	73,663	1,088	31,434	(16,752)	(13,594)

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies

The Group's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables, that arrive directly from its operations. The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and certain other financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	2019	2018
	SR '000	SR '000
Increase/decrease by 100 basis points	-/+ **64,866**	-/+ 85,735

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk

The Group is affected by the volatility of certain commodities, primarily fuel oil. The Group's Board of Directors have developed and enacted a risk management strategy dealing with commodity price risk and its mitigation by entering into long-term contracts with Saudi Aramco for supply of fuel.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit worthiness analysis. At 31 December 2019, the Group had 9 customers (31 December 2018: 11 customers) that owed it more than SR 20 million each and accounted for approximately 54 % (31 December 2018: 67%) of gross receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are combined into homogenous categories based on their classification into industrial, government, residential and commercial categories and assessed for impairment collectively. The calculation is based on historical data adjusted for future outlook and expectations. Loss rates are calculated using a 'roll rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments. The calculation is based on historical data adjusted for future outlook and expectations.

The expected credit loss estimates are disclosed in Note 11. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 23.1. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as its customers are located in multiple locations and several industries and operate in largely independent markets.

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management, and may be updated throughout the year subject to approval of the higher management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 23.1.

Liquidity risk
Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, Islamic Murabaha loans and other sources of funding. 3.5 % of the Group's debt will mature in less than one year at 31 December 2019 (31 December 2018: 10%) based on the carrying value of borrowings reflected in the consolidated financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

***Liquidity* risk** (Continued)

		Contractual undiscounted cash flows			
As at 31 December 2019	**Carrying value**	**Within 12 months**	**2 to 5 years**	**> 5 years**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Trade payables	**711,618**	**711,618**	**-**	**-**	**711,618**
Loans and borrowings	**9,713,391**	**301,343**	**2,550,406**	**6,861,642**	**9,713,391**
Lease liabilities	**3,321,023**	**365,258**	**1,584,869**	**1,370,896**	**3,321,023**
Accrued expense and other payables	**847,638**	**847,638**	**-**	**-**	**847,638**
Other non-current liabilities	**1,109,339**	**-**	**-**	**1,109,339**	**1,109,339**
	15,703,009	**2,225,857**	**4,135,275**	**9,341,877**	**15,703,009**

		Contractual undiscounted cash flows			
As at 31 December 2018	Carrying value	Within 12 months	2 to 5 years	> 5 years	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Trade payables	832,948	832,948	-	-	832,948
Loans and borrowings	10,797,879	1,105,761	4,871,724	4,820,394	10,797,879
Lease liabilities	3,216,533	314,102	1,256,411	1,646,020	3,216,533
Accrued expense and other payables	1,159,364	1,159,364	-	-	1,159,364
Other non-current liabilities	690,052	-	-	690,052	690,052
	16,696,776	3,412,175	6,128,135	7,156,466	16,696,776

Capital management

Capital includes equity attributable to the equity holders of the Parent Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is total debt to tangible net worth. The Group's policy is to keep the gearing ratio less than 3%. Tangible net worth includes share capital, reserves, retained earnings, excluding dividend declared or paid and any unrealized income from investment in securities. The Group's net debt to adjusted equity ratio as at year end was as follows:

	2019	2018
	SR '000	SR '000
Total liabilities	**16,919,838**	17,874,442
Less: cash and cash equivalents	**(1,085,344)**	(1,364,270)
Net debt	**15,834,494**	16,510,172
Total equity	**6,878,354**	6,839,807
Add: fair value reserve of cash flow hedge of a joint operation	**102,745**	69,569
Adjusted equity	**6,981,099**	6,909,376
Net debt to adjusted equity ratio	**2.27**	2.39

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. There have been no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019 and 31 December 2018.

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24. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	2019	2018
	SR '000	SR '000
Power	**3,198,225**	3,370,134
Water	**2,862,706**	2,838,050
Others	**46,910**	62,352
	6,107,841	6,270,536

24.1 The Group provides utility services to various customers across Kingdom of Saudi Arabia. Revenue from contract with the customer is recognized over time (Refer note 2.3 (d)).

25. COST OF REVENUE

	2019	2018
	SR '000	SR '000
Fuel and chemicals	**1,453,729**	1,432,016
Power and water costs	**1,414,630**	1,411,355
Depreciation (Note 26.2)	**1,318,239**	1,333,855
Employees related costs	**824,338**	837,585
Repair and maintenance	**194,657**	192,657
Operating and maintenance expenses	**193,184**	197,305
Provision for slow-moving and obsolete inventories (Note 10)	**11,347**	39,627
Amortization of intangible assets (Note 7)	**1,572**	1,351
Others	**176,483**	204,270
	5,588,179	5,650,021

25.1 Cost of revenue includes inventories consumed during the year amounting to SR 331.55 million (2018: SR 369.67 million).

26. ADMINISTRATIVE EXPENSES

	2019	2018
	SR '000	SR '000
Provision for employee cost optimization (Note 26.1)	**87,000**	100,000
Employee related costs	**82,529**	71,338
Donations	**15,660**	13,193
Service contracts	**13,828**	9,101
Amortization of intangible assets (Note 7)	**5,503**	6,883
Depreciation (Note 26.2)	**3,280**	370
Allowance for doubtful debts (Note 11)	**-**	13,202
Others	**28,667**	33,650
	236,467	247,737

26.1 During the year, the Parent Company carried out an exercise for structural re-organization that includes employees cost optimization plan whereby the Parent Company plans to offer early retirement packages to employees meeting defined criteria in order to reduce the overall employee costs and achieve more operating efficiencies. The provision represents Group's best estimate of the anticipated costs amounting to SR 87 million (31 December 2018: SR 100 million).

26.2 Depreciation

	2019	2018
	SR '000	SR '000
Included in cost of sales	**1,318,239**	1,333,855
Included in administrative expenses	**3,280**	370
	1,321,519	1,334,225

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27. OTHER OPERATING INCOME

	2019	2018
	SR '000	SR '000
Tariff differential income (Note 27.1)	**265,482**	-
SEC margin (Note 27.2)	**174,752**	169,294
Vendor penalties	**4,537**	6,183
Gain on sale of scrap	**-**	11,376
Gain on adjustment of demobilization liability	**-**	13,783
Penalty income from contractor (Note 6.4)	**-**	66,542
Others	**-**	14,842
	444,771	282,020

27.1 Tariff differential
During the year ended 31 December 2019, the Parent Company and Saudi Electricity Company (SEC) reached an agreement to settle long outstanding tariff differential for period from 1 January 2003 to 31 May 2014. As a result, the Parent Company received SR 265 million from SEC which was recognized as income for the year (31 December 2018: disclosed as contingent asset).

27.2 SEC margin
The Supreme Economic Council in its resolution number 369/27 dated 29 Shawwal 1427 (20 November 2006) mentioned that the Parent Company would be compensated for selling the entire power produced by the IWPP to SEC instead of selling it to the Parent Company's customers and for its efforts to establish the initial set-up and to start the IWPP project. Accordingly, the Parent Company recognized SR 174.7 million (2018: SR 169.3 million) SEC margin income representing the agreed compensation to be received from SEC.

28. OTHER OPERATING EXPENSES

	2019	2018
	SR '000	SR '000
Provision for asset impairment	**7,382**	-
Provision for refund of booked capacity (Note 28.1)	**-**	65,322
Others	**4,746**	2,038
	12,128	67,360

28.1 During the year ended 31 December 2018, the Parent Company received a directive from Electricity and Cogeneration Regulatory Authority (ECRA) to remove the booked capacity provisions in Utility User Agreement (UUA) for industrial customers. As a result, the Parent Company decided to refund the booked capacity payments already received from industrial customers for periods after 31 December 2014 and recognized a provision for refund of booked capacity amounting to SR 65.3 million.

29. FINANCE INCOME

	2019	2018
	SR '000	SR '000
Income on short term deposits	**28,868**	27,404
Unwinding of discount on HOP receivable (Note 9)	**10,946**	76,499
	39,814	103,903

30. FINANCE COSTS

	2019	2018
	SR '000	SR '000
Finance costs on loans and borrowings	**415,796**	392,885
Amortization of transaction cost of bank loans and borrowings (Note 18)	**112,039**	38,802
Finance cost on lease liabilities (Note 32)	**15,731**	-
Others	**1,649**	2,313
	545,215	434,000

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31. RELATED PARTY TRANSACTIONS AND BALANCES

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group did not record any provision for impairment of receivables (31 December 2018: SR 13.2 million) relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

31.1 Significant transactions with related parties

(i) Revenues and other income include earnings from providing power and water services to related parties in accordance with long term supply agreements as follows:

	2019	2018
Shareholders	**SR '000**	SR '000
SABIC and its subsidiaries	**1,580,053**	1,535,742
Saudi Aramco and its subsidiaries	**1,229,189**	1,440,405
Royal Commission for Jubail & Yanbu	**120,091**	121,237
National Titanium Dioxide (Cristal)	**-**	78,342
Other related parties		
Saudi Electricity Company	**1,704,423**	1,681,181
Tasnee	**49,420**	52,734
	4,683,176	4,909,641

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

	2019	2018
	SR '000	SR '000
Shareholder		
Saudi Aramco and its subsidiaries	**1,488,630**	1,432,733
Other related parties		
Saudi Electricity Company	**145,168**	149,974
	1,633,798	1,582,707

31.2 Due from related parties

Trade receivables

	2019	2018
	SR '000	SR '000
Shareholders		
SABIC and its subsidiaries	**220,867**	235,984
Saudi Aramco and its subsidiaries	**157,607**	194,488
Royal Commission for Jubail & Yanbu	**48,190**	63,873
National Titanium Dioxide (Cristal)	**-**	6,339
Other related parties		
Saudi Electricity Company	**38,692**	263,844
Others	**4,099**	10,986
	465,356	775,514

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.2 Due from related parties (Continued)

Prepayments and other receivables

	2019	2018
	SR '000	SR '000
Shareholders		
SABIC	-	4,921
Royal Commission for Jubail & Yanbu	-	4,921
Public Investment Fund	-	4,921
Others	-	150
Others		
Saudi Electricity Company	**182,743**	816,341
	182,743	831,254

31.3 Due to related parties

Trade payables

	2019	2018
	SR '000	SR '000
Shareholders		
Saudi Aramco and its subsidiaries	**124,407**	131,772
Other related parties		
Saudi Electricity Company	**115,517**	288,936
Others	-	300
	239,924	421,008

Retention payable

	2019	2018
	SR '000	SR '000
Shareholders		
Royal Commission for Jubail & Yanbu	**22,691**	22,691

Accrued and other liabilities

	2019	2018
	SR '000	SR '000
Shareholders		
Saudi Aramco and its subsidiaries	**135,768**	144,088
Royal Commission for Jubail & Yanbu	**10,303**	31,243
Other related party		
Saudi Electricity Company	**35,890**	297,880
Others	-	388
	181,961	473,599

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.4 Due to a shareholder

The Group has various leases of land, vehicles and houses. Future minimum lease payments of land leases under the lease contracts with Royal Commission for Jubail and Yanbu, together with the present value of the net minimum lease payments are as follows:

	2019	2018
	SR '000	SR '000
Lease obligation in respect of assets on lease from Royal Commission (Note (i))		
- Non-current	**2,940,381**	2,902,431
- Current	**350,383**	314,102
	3,290,764	3,216,533
Obligation in respect of asset transferred from Royal Commission (Note (ii))	**1,066,927**	639,180
	4,357,691	3,855,713

(i) Based on the formal agreement signed between the Parent Company and the Royal Commission in 2006, effective 1 January 2003, the Royal Commission leased to the Parent Company power and water operating facilities at Yanbu and water operating facilities at Jubail, valued at SR 3,373.0 million. The obligation under this lease will be payable by the Parent Company in 20 equal annual instalments of SR 168.7 million each.

The Parent Company signed the second lease agreement in 2016 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 1,526.6 million. The obligation under this lease will be payable by the Parent Company in 31 annual instalments.

The Parent Company signed the third lease agreement in 2017 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 318.8 million. The obligation under this lease will be payable by the Parent Company in 33 annual instalments.

The Parent Company signed the fourth lease agreement in 2017 with Royal Commission in Jubail for additional power and water operating facilities valued at SR 1,777.8 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the fifth lease agreement in 2018 with Royal Commission in Yanbu for additional water operating facilities valued at SR 13.1 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the sixth lease agreement in 2019 with Royal Commission in Yanbu for additional water operating facilities valued at SR 1.2 million. The obligation under this lease will be payable by the Parent Company in 29 annual instalments.

(ii) The Parent Company has outstanding obligation against assets received from the Royal Commission aggregating to SR 1,066.9 million (31 December 2018: SR 639.2 million) for which the finalization of the terms and conditions of payment are pending and accordingly, the balance has been classified as a non-current liability (Note 19).

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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FOR THE YEAR ENDED 31 DECEMBER 2019

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.5 Transactions with key management personnel

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

i) Other Directors interests

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

	2019	2018
	SR '000	SR '000
Short-term employee benefits	**35,164**	36,156
Post-employment defined benefit plan	**3,844**	3,550
Total compensation paid to key management personnel	**39,008**	39,706

32. LEASES

Leases as lessee (IFRS 16)

The Group leases vehicles, land, and houses. The leases typically run for a period of 1 to 50 years, with some leases containing an option to mutually renew the lease after that date. Previously, these leases were classified as operating leases under IAS 17.

The Group leases land from Royal Commission under various lease agreements, which were classified as operating leases under IAS 17.

The Group has leases approximately amounting to SR 1.2 million with contract terms of less than 12 months. These leases are short term or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

i. Right-of-use assets

	Land	**Buildings, wells and civil infrastructure**	**Others equipment**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**
Balance as at 1 January 2019	365,277	10,848	11,341	387,466
Additions to right-of-use assets	21,050	-	20,077	41,127
Depreciation charge	(17,500)	(5,550)	(9,796)	(32,846)
Balance as at 31 December 2019	**368,827**	**5,298**	**21,622**	**395,747**

ii. Amounts recognised in consolidated income statement

	31 December 2019
	SR '000
Leases under IFRS 16	
Interest on lease liabilities	**15,731**
Depreciation	**32,846**
Expenses relating to short-term or low value leases	**300**
	48,877

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

32. LEASES (Continued)

iii. Lease Liability

	2019	2018
	SR '000	SR '000
Current portion	**365,258**	314,102
Non-current portion	**2,955,765**	2,902,431
	3,321,023	3,216,533

Movement of lease liability

	2019	2018
	SR '000	SR '000
Balance as at 1 January	**3,216,533**	4,248,455
Recognition of right-of-use asset on initial application of IFRS 16	**387,467**	-
Additions	**54,927**	13,117
Interest on lease liabilities	**15,731**	-
Payments during the year	**(353,635)**	(1,045,039)
Balance as at 31 December	**3,321,023**	3,216,533

Operating lease commitments under IAS 17 — Group as lessee - 2018

The Parent Company has leased land and other facilities from Royal Commission in Jubail and Yanbu on which operating facilities are set up. The lease terms are between 25 to 50 years. The Parent Company has the option, under some of its leases, to lease the assets for additional terms of varying years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018
	SR '000
Within one year	31,466
After one year but not more than five years	96,033
More than five years	406,140
	533,639

33. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the year but not incurred is SR 1,535.2 million (31 December 2018: SR 1,740.5 million).

Other commitment

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

Contingent liabilities

At 31 December 2019, bank guarantees have been issued amounting to SR 301.1 million (31 December 2018: SR 291.7 million) by the Group's bankers, on behalf of the Group in the ordinary course of business.

34. SUBSEQUENT EVENTS

a) Subsequent to the year-end, the widespread outbreak of infectious disease coronavirus (COVID-19) is causing significant macro-economic uncertainty. The scale and duration of this development remains uncertain. This could potentially adversely affect business, operational results and financial condition of the Group. The actual effects will depend on many factors currently beyond the control of the Group. It is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group as the situation is fluid and rapidly evolving. Further, ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's IFRS 9 estimates of expected credit loss provisions in 2020.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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34. SUBSEQUENT EVENTS (Continued)

b) Electricity & Cogeneration Regulatory Authority (ECRA) issued a directive in line with Royal decree No. 48996 dated 20 Shaban 1441H corresponding to 13 April 2020G providing certain incentives to industrial, agricultural and commercial sectors with an aim to stimulating economic growth and relieving the financial impact. The incentives are:

i) To provide a discount on value of electricity bill for consumers in the industrial, commercial and agricultural sectors of 30% for a period of two months of April and May 2020, with the possibility of extension if the need arises, and;

ii) To optionally allow consumers in the industrial and commercial sectors to pay 50% of the value of monthly electricity bills for three months starting April 2020, provided that remaining dues are collected in divided instalments for a period of six months starting from January 2021 with the possibility of postponing the payment period if required.

The Parent Company is also entitled to receive financial support in form of government subsidies to prevent it from any adverse impact. The Parent Company is in the process of assessing the impact of said incentives on its financial position.

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

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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المركز الرئيسي الرياض

سجل تجاري رقم 2051062328

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, consolidated statements of profit or loss 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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.

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, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

Independent Auditor's Report

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

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 scepticism 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.
- 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

KPMG

Independent Auditor's Report

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

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

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 Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) and its subsidiaries ("the Group").

KPMG Professional Services

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, 25 April 2021G
Corresponding to: 13 Ramadan 1442H.

كي . بي . إم . جي للاستشارات المهنية
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KPMG Professional Services

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 SR '000	2019 SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**20,246,186**	20,278,800
Intangible assets	7	**5,208**	8,808
Equity accounted investees	8.3	**409**	93
Long-term receivables and prepayments	9	**322,300**	409,448
Deferred tax assets	22	**15,017**	9,566
Total non-current assets		**20,589,120**	20,706,715
Current assets			
Inventories	10	**312,534**	278,008
Trade receivables	11	**906,765**	807,579
Prepayments and other current assets	12	**482,273**	596,824
Short-term deposits	13	**1,226,300**	36,000
Cash and cash equivalents	14	**594,815**	1,085,344
Total current assets		**3,522,687**	2,803,755
TOTAL ASSETS		**24,111,807**	23,510,470
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**2,500,000**	2,500,000
Statutory reserve	15.1	**261,010**	249,366
Retained earnings		**4,334,889**	4,190,765
Equity before fair value reserve for cash flow hedge of a joint operation		**7,095,899**	6,940,131
Fair value reserve for cash flow hedge of a joint operation	23.3	**(162,146)**	(102,745)
Equity attributable to equity holders of the Parent Company		**6,933,753**	6,837,386
Non-controlling interest		**53,633**	40,968
Total equity		**6,987,386**	6,878,354
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	18	**8,976,169**	9,278,671
Lease liabilities	32	**3,111,884**	2,955,765
Other non-current liabilities	19	**2,346,593**	2,169,064
Deferred tax liabilities	22	**69,697**	36,271
Total non-current liabilities		**14,504,343**	14,439,771
Current liabilities			
Current portion of bank loans and borrowings	18	**456,657**	275,688
Current portion of lease liabilities	32	**721,248**	365,258
Trade payables	20	**584,693**	607,479
Accrued expenses and other current liabilities	21	**857,480**	943,920
Total current liabilities		**2,620,078**	2,192,345
Total liabilities		**17,124,421**	16,632,116
TOTAL EQUITY AND LIABILITIES		**24,111,807**	23,510,470

The financial statements appearing on pages 1 to 52 were approved by the Board of Directors of the Parent Company and have been signed on their behalf by:

Abdallah Ibrahim Al-Saadan Chairman	Mohammed Berki Al-Zuabi President & CEO	Muhammed Abdulhamid AlMulhim GM Finance

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR '000	2019 SR '000
Revenue	24	**6,091,564**	6,107,841
Cost of revenue	25	**(5,463,295)**	(5,588,179)
Gross profit		**628,269**	519,662
Administrative expenses	26	**(146,799)**	(236,467)
Impairment loss on trade receivables	11	**(3,000)**	-
Other operating income	27	**222,301**	444,771
Other operating expenses	28	**(36,700)**	(12,128)
Operating profit		**664,071**	715,838
Finance income	29	**22,884**	39,814
Finance costs	30	**(314,896)**	(545,215)
Profit before Zakat and income tax		**372,059**	210,437
Zakat and income tax	22	**(81,591)**	2,606
Profit for the year		**290,468**	213,043
Attributable to:			
Equity holders of the Parent Company		**266,925**	198,270
Non-controlling interest		**23,543**	14,773
		290,468	213,043
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders	17	**1.07**	0.79

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	SR '000	SR '000
Profit for the year	**290,468**	213,043
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Share of loss on cash flow hedge of a joint operation, net of deferred tax	**(59,401)**	(33,176)
Other comprehensive income that will not be reclassified to income statement in subsequent periods:		
Re-measurement (loss) / gain on defined benefit obligation, net of deferred tax	**(4,704)**	2,610
Other comprehensive loss for the year	**(64,105)**	(30,566)
Total comprehensive income for the year	**226,363**	182,477
Attributable to:		
Equity holders of the Parent Company	**203,976**	167,854
Non-controlling interest	**22,387**	14,623
	226,363	182,477

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the Parent Company						
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of a joint operation SR '000	Total SR '000	Non-controlling interest SR '000	Total equity SR '000
As at 1 January 2019	2,500,000	240,005	4,124,096	(69,569)	6,794,532	45,275	6,839,807
Profit for the year	-	-	198,270	-	198,270	14,773	213,043
Other comprehensive income	-	-	2,760	(33,176)	(30,416)	(150)	(30,566)
Total comprehensive income	-	-	201,030	(33,176)	167,854	14,623	182,477
Transfer to statutory reserve	-	9,361	(9,361)	-	-	-	-
Dividends (Note 16)	-	-	(125,000)	-	(125,000)	(18,930)	(143,930)
As at 31 December 2019	2,500,000	249,366	4,190,765	(102,745)	6,837,386	40,968	6,878,354
As at 1 January 2020	**2,500,000**	**249,366**	**4,190,765**	**(102,745)**	**6,837,386**	**40,968**	**6,878,354**
Profit for the year	**-**	**-**	**266,925**	**-**	**266,925**	**23,543**	**290,468**
Other comprehensive income	**-**	**-**	**(3,548)**	**(59,401)**	**(62,949)**	**(1,156)**	**(64,105)**
Total comprehensive income	**-**	**-**	**263,377**	**(59,401)**	**203,976**	**22,387**	**226,363**
Transfer to statutory reserve	**-**	**11,644**	**(11,644)**	**-**	**-**	**-**	**-**
Dividends (Note 16)	**-**	**-**	**(107,609)**	**-**	**(107,609)**	**(9,722)**	**(117,331)**
As at 31 December 2020	**2,500,000**	**261,010**	**4,334,889**	**(162,146)**	**6,933,753**	**53,633**	**6,987,386**

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** SR '000	2019 SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**290,468**	213,043
Adjustments for:			
Depreciation of property, plant and equipment	6	**1,335,867**	1,321,519
Amortization of intangible assets	7	**4,543**	7,075
Amortization of deferred income		**(55,457)**	(30,230)
Amortization of deferred employee benefits		**11,159**	12,114
Provision for impairment of trade receivables	11	**3,000**	-
Provision for asset write-off	28	**31,637**	7,377
Provision for employee cost optimization	21	**-**	87,000
Provision for slow-moving and obsolete inventories	10	**11,532**	11,347
Provision for employees' benefits	19.1	**87,898**	79,902
Share of loss from investment in equity accounted investees		**-**	21
Finance income	29	**(22,884)**	(39,814)
Finance costs	30	**314,896**	545,215
Zakat and income tax charge / (reversal)	22	**81,591**	(2,606)
Changes in:			
Trade receivables		**(102,186)**	257,686
Inventories		**(61,547)**	(51,226)
Prepayment and other current assets		**113,778**	549,193
Long term receivables and other assets		**87,531**	87,311
Trade payables		**(22,786)**	307,263
Accrued expenses and other current liabilities		**(139,125)**	(408,906)
Cash generated from operating activities		**1,969,915**	2,953,284
Employees' benefits paid	19.1	**(80,149)**	(132,276)
Interest paid		**(285,920)**	(447,190)
Zakat and income tax paid	22	**(33,934)**	(31,585)
Net cash from operating activities		**1,569,912**	2,342,233
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment, net		**(582,593)**	(640,010)
Additions to intangible assets	7	**(106)**	(64)
Investment in associate		**(315)**	(56)
Interest income on short term deposits		**12,115**	31,516
Net movement in short-term deposits		**(1,190,300)**	17,100
Net cash used in investing activities		**(1,761,199)**	(591,514)

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR '000	2019 SR '000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings	18	**(156,344)**	(7,543,388)
Proceeds from loans and borrowings	18	**-**	6,400,000
Proceeds from short term borrowings		**173,400**	173,400
Repayment of short term borrowings		**(173,400)**	(173,400)
Payment of lease obligation	32	**(35,351)**	(353,635)
Net change in other non-current liabilities		**9,784**	(422,535)
Dividends paid		**(117,331)**	(110,087)
Net cash used in financing activities		**(299,242)**	(2,029,645)
Net change in cash and cash equivalents		**(490,529)**	(278,926)
Cash and cash equivalents at the beginning of the year		**1,085,344**	1,364,270
Cash and cash equivalents at the end of the year	14	**594,815**	1,085,344
SUPPLEMENTAL CASH FLOW INFORMATION			
Significant non-cash transactions			
Property, plant and equipment transferred from the Royal Commission	6.1	**243,455**	428,909
Addition to right-of-use assets	32	**532,824**	428,593
Non-cash consideration: customer funded assets acquired		**440,696**	816
Capital spares transferred from inventories and to intangibles	6.4	**14,652**	15,853
Change in fair value reserve for cash flow hedge of joint operation		**(62,897)**	(33,176)
Dividends declared to non-controlling interest		**-**	(18,930)

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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1. CORPORATE INFORMATION

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

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

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

	2020	2019
Saudi Basic Industries Corporation ("SABIC")	**24.81%**	24.81%
Saudi Aramco Power Company ("SAPCO")	**24.81%**	-
Royal Commission for Jubail & Yanbu ("Royal Commission")	**24.81%**	24.81%
Public Investment Fund ("PIF")	**24.81%**	24.81%
Saudi Arabian Oil Company ("Saudi Aramco")	-	24.81%
Other private sector investors	**0.76%**	0.76%
	100%	100%

During the year ended 31 December 2020, SAPCO has acquired 24.81% shares from Saudi Aramco. The Parent company is in the process of completing legal formalities and amending its articles of association for the change in ownership.

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities. In order to render such services, the Parent Company may:

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

Prior to the commencement of operations of the Parent Company, the supply of the above services was undertaken by the Royal Commission for Jubail and Yanbu ("the Royal Commission"). Pursuant to various government directives, the Parent Company is required to deliver such services to customers in Jubail and Yanbu industrial cities.

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

Group structure

Subsidiaries
As at 31 December 2020, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries hereinafter referred to as "the Group"):

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

- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Electric Company, Saline Water Conversion Corporation and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.

- Marafiq SAUR Operation and Maintenance Co. ("MASA"), owned 51% by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

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1. CORPORATE INFORMATION (Continued)

Joint operating arrangement

As at 31 December 2020, the Group has a Joint Operating Arrangement in the following company:

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

Investment in associates

As at 31 December 2020, the Group has following associates:

- Jubail and Yanbu District Cooling Company (“TABREED”), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.
- Jeddah Althaniya Water Company (“JAWC”), owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet.
- Jeddah Althaniya Operation and Maintenance Company (“JAOM”), owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet.

The Group’s ownership percentage in the above companies is the same in all periods presented in these consolidated financial statements except for Jeddah Althaniya Operation and maintenance Company which has been incorporated during the year.

Economic environment and its effects on business

The development of coronavirus (COVID-19) pandemic and global recession due to falling demand have impacted the businesses in form of economic contraction. However, the Group management has proactively assessed its impacts on its operations and has taken a series of proactive and preventive measures, including activation of the crisis management committee and associated processes to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating, and
- minimizing the impact of the pandemic on its business and ensuring continuity of operations.

Notwithstanding these challenges, the Group business operations currently remain largely unaffected as the water and power utility industry in general is exempted from various constraints imposed by authorities. Based on these factors, the Group management believes that the COVID-19 pandemic has had no material effect on Group’s reported financial results for the year ended 31 December 2020. Management continues to monitor the situation closely as the situation is still evolving.

Date of approval of consolidated financial statements

These consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (Marafiq) and its subsidiaries (the "Group" or "Marafiq") for the year ended 31 December 2020 were approved in accordance with a resolution of the Board of Directors on 11 April 2021G corresponding to 29 Shaban 1442H.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These consolidated financial statements have been prepared on a historical cost basis except for the cash flow hedge of a joint operation that is carried at fair value and obligation for post-employment defined benefits which is measured at projected unit credit method.

These consolidated financial statements are presented in Saudi Riyals which is also the Group’s functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation
These financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2020. 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

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

The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

The Group accounts for its interest in the assets, liabilities, revenues and expenses relating to joint operation.

2.3 Summary of significant accounting policies
Following are the significant accounting policies applied by the Group in preparing its consolidated financial statements. These accounting policies have been consistently applied for all the periods presented.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
a) Investments in associates and joint operation
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associates is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and it's carrying value and recognizes the loss as 'Share of profit of associates' in the consolidated income statement.

Upon loss of significant influence over the associates, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of associate upon loss of significant influence and the fair value of retained investment and proceeds from disposal is recognized in profit or loss.

A joint operation is an arrangement in which the Group has joint control and has rights to assets and obligations for liabilities relating to the joint operation. The activities are undertaken by the Group in conjunction with other joint operators involved in the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the Group as a joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sales of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

b) Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

b) Current versus non-current classification (Continued)
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

c) Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 23.

d) Revenue recognition
Revenue from contracts with customers is recognized over time to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. All Group's customers are based in the Kingdom of Saudi Arabia. The Group is engaged in providing utility services including water, power and sale of gas to various customers.

The specific recognition criteria described below must also be met before revenue is recognized.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

d) Revenue recognition (continued)

Utility services
The Group recognises revenue as the services are rendered over time as the customers simultaneously receive and consume the benefit. As per terms of the utility contracts with the customers, the Group invoices to customers per unit of output delivered to them. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and the Group recognizes revenue amount to which the Group has a right to invoice as the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. As per the utility user agreements (UUA), the amount of consideration is fixed per unit of output. No variable consideration, financing, non-cash consideration and consideration payable to customer is involved in the transaction price.

Unutilized booked capacity
Booked capacity revenue represents billing to customers if utility services usage is less than the agreed quantity (booked capacity) stipulated in the respective Utility User Agreement (UUA) with customers. Such revenues are invoiced and recognized in the period in which it becomes probable that the economic benefit will flow to the Group. The Parent Company is no longer entitled to claim such revenue for invoices issued after 2014 in accordance with Electricity and Co-generation Regulatory Authority (ECRA) directive.

Connection charges
Revenue in respect of connection charges, recovered from customers at the time of entering into an agreement, are recognized as deferred income and amortized over the expected life of customer relationship as follows:

Industrial customers	20 years
Non-industrial customers	5 years

Interest income
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated income statement.

Dividends
Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income
Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers is initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

e) Foreign currencies
The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

e) Foreign currencies (Continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognized in OCI or income statement are also recognized in OCI or income statement, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations, if any, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the date of the transaction. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated income statement.

f) Property, plant and equipment
Property, plant and equipment except land and capital work in progress i are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Contributions by customers of items of property, plant and equipment, which require an obligation on the Group to either connect the customer to the network or to supply the customer with ongoing access to supply of power or water or both, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made in current and non-current liabilities combined. Revenue and the related depreciation is subsequently recognized over the contractual period stipulated in the Utility User Agreement (UUA).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Plant and machinery	12.5 - 20 years
Buildings, wells and civil infrastructure	12.5 - 33.3 years
Meters, pipe networks and lift stations	12.5 - 20 years
Power lines, cables, meters and networks	14.3 - 33.3 years
Common external facilities	20 years
Other equipment	3 - 10 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Land and capital work in progress are stated at cost less impairment losses, if any, and is not depreciated until the asset is available for use in the manner intended by management.

g) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

g) Intangible assets (Continued)

Software licences
Intangibles mainly represent software license costs. A summary of the policies applied to the Group's intangible assets is as follows:

	Software licence
Useful lives	5 years
Amortization method used	Amortized on a straight-line basis over the useful life
Internally generated or acquired	Acquired

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

h) Leases
At inception of a contract, the Group assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A. As a Lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liability for leases of low-value assets such as IT equipment and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a Lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an 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.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
h) Leases (Continued)

B. As a Lessor (Continued)
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 a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

i) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Financial instruments — initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments'.

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
(i) Classification and subsequent measurement of financial assets
The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Group initially measures the trade receivables at the transaction price as the trade receivables do not contain a significant financing component.

The Group does not classify any of its financial assets under 'fair value through profit or loss (FVTPL)' or 'fair value through other comprehensive income (FVOCI)'.

(ii) Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
j) Financial instruments — initial recognition and subsequent measurement (Continued)

Financial assets (Continued)
The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 360 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables that result from contracts with the customers. The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the consolidated income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of reversal is recognized in the consolidated income statement.

(iii) Derecognition of financial assets
The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
j) Financial instruments — initial recognition and subsequent measurement (Continued)

Financial liabilities
(i) Classification and subsequent measurement of financial liabilities
The group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:
• contingent consideration of an acquirer in a business combination,
• held-for-trading, or
• designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

(ii) Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

(iii) Offsetting
Financial assets and liabilities are off-set and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarized in the following notes:

Accounting policy disclosures	Note 2.3
Disclosures for significant assumptions	Note 3
Property, plant and equipment	Note 6
Intangible assets	Note 7

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU")'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

The following specific criteria are also applied in assessing impairment of specific assets:

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

l) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

Provision for slow-moving and obsolete inventories are made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

m) Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts that are subject to an insignificant risk of changes in value.

n) Short-term deposits
Deposits of original maturity of greater than three months but less than one year are classified as short-term deposits under current assets.

o) Cash dividend and non-cash distribution to owners of equity
The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders in the Annual General Assembly. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated income statement.

p) Provisions
General
Provisions are recognized 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions
Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability
Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

q) Zakat and income tax
The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an estimated basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized. The Zakat charge in the consolidated income statement represents the Zakat for the Group. The Zakat charge and income tax, if any, assessable on the non-controlling shareholder, is included in non-controlling interest.

r) Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilized.

The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilized. Unrecognized deferred income tax assets/liabilities are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is not recognized for:
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

s) Earnings per share
Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Weighted average number of ordinary shares as of 31 December 2020 and 31 December 2019 were 250,000,000 shares.

t) Employees' benefits

Short-term employee benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plan
The Group is operating unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurement gains and losses are recognized in full in the period in which they occur in consolidated statement of profit or loss and other comprehensive income.

Past service costs are recognized in consolidated income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

t) Employees' benefits (Continued)
Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue' and 'administrative expenses' in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Employee home ownership program
The Parent Company has established a home ownership program that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. Upon signing the sale contract with the eligible Saudi employees, the relevant housing units are classified under other non-current assets as due from employees at their present value. Down payments and instalments of purchase price received from employees are set off against the amounts due from employees classified under other non-current assets. The cost of the houses and the related purchase price is removed from other non-current assets when title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Group.

Employees' savings plan
The Parent Company administers an employees' savings plan on behalf of its employees. Provision is made for the contributions to be made by the Group on behalf of its employees. Contributions from the participants are recorded as a liability and deposited in a separate bank account effectively offsetting the liability however disclosed separately in these consolidated financial statements under notes 14 and 19.2 respectively.

u) Segment reporting
A business segment is a group of assets, operations or entities:
- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Parent Company's other components;
- the results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Chief Executive Officer of the Parent Company is considered to be the chief operating decision maker. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 5 to these consolidated financial statements.

(v) Expenses
All expenses other than financial charges are allocated on a consistent basis among cost of revenue and administrative and other expenses in accordance with allocation factors determined as appropriate by the Company's management.

w) Cash flow hedge
The Group uses interest rate swaps (IRS) to hedge its risks associated with interest rates for JWAP. Such derivative financial instruments are initially recorded at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Transaction costs, if any, for obtaining the hedge are recognized in the consolidated statement of financial position as hedge upfront fee and amortized over the hedge period.

For the purpose of cash flow hedges the Group hedges the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

x) Value added tax
Expenses and assets are recognised net of the amount of value added tax, except:
- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

As explained in Note 1, management, through the crisis management committee, has proactively assessed the potential impact of COVID-19 pandemic for any adverse effect on the supply chain, production capabilities, customer demand as well as distribution network that could cause a negative impact on the financial performance of the Group. Management has concluded that the critical accounting judgements, estimates and assumptions used in consolidated financial statements remain appropriate under the current circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

ii. Defined benefit plans (post-employment benefits)

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate**,** yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "Low, Flat Rate" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on the Group reinsurance mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in the Kingdom of Saudi Arabia in carrying out actuarial valuation of end of service benefits schemes. If any other mortality table is used it will not make any significant difference in the results.

A further detail about post-employment benefit obligation is provided in Note 19.1.

iii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv. Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives 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. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

v. Residual value of property, plant and equipment
The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

vi. Useful lives of intangibles
The Group shall review the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group shall change the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group shall change the amortization method to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

vii. Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. This estimation is performed on an individual line item basis and a provision for non-moving and obsolete inventory items applied according to the inventory type and the degree of ageing or obsolescence.

viii. Zakat and income tax
The Group is subject to Zakat and income tax in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Zakat and income taxes are provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat and income tax rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Group retains exposure to additional Zakat and income tax liability.

ix. Impairment of financial assets
The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 360 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

a) Measurement of ECLs
ECLs 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).

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

ix. Impairment of financial assets (Continued)

b) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at Fair value through other comprehensive income ("FVOCI") are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows 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 being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties

c) Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

d) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

x. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. A provision for onerous contracts is measured at the present value of the lower of expected cost of terminating the contract and expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

xi. Lease term and estimating the incremental borrowing rate

Extension and termination options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and also where such options held are exercisable only by the Group and not by the respective lessor. Options are not included in the lease liabilities where the leased assets could be replaced without significant cost or business disruptions.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

i. New and revised standards with no material effect on the consolidated financial statements

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

- Definition of a Business (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2020;
- Definition of Material (Amendments to IAS 1 and IAS 8), effective for annual periods beginning on or after 1 January 2020;
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), effective for annual periods beginning on or after 1 January 2020;
- Amendments to references to conceptual framework in IFRS standards, effective for annual periods beginning on or after 1 January 2020; and
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4), effective for annual periods beginning on or after 1 January 2020.

ii. Accounting standards issued but not yet effective

The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2020.

- COVID-19-Related Rent Concessions (Amendments to IFRS 16), effective for annual periods beginning on or after 1 June 2020;
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023; and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

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

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 8, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities, and
- hedge accounting

At 31 December 2020, the Group has SR 1.85 billion LIBOR secured bank loans that will be subject to IBOR reform. Further, the Group has cash flow hedges of LIBOR risk amounting to SR 1.81 billion. The amendments will require the Group to disclose additional information about the Group's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The Group plans to apply amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

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5. OPERATING SEGMENTS

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

Segment information:
The Group is organized into business units based on six reportable segments as follows:

- Power, includes electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Others, includes deferred income on customer funded assets and sales gas distribution;
- JWAP, as explained in note 1;
- Tawreed, as explained in note 1; and
- Corporate, includes all other activities that are not directly linked to identifiable operating segments. This includes finance income/expense, other income/expense and share in results of equity accounted investees.

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

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5. OPERATING SEGMENTS

For the year ended 31 December 2020

	Power	Water	Others	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	1,483,583	2,305,626	40,078	-	2,223,338	38,939	-	6,091,564
Inter segment	-	498,842	-	339,030	372,179	-	(1,210,051)	-
Total revenue	1,483,583	2,804,468	40,078	339,030	2,595,517	38,939	(1,210,051)	6,091,564
Depreciation and amortisation	(495,876)	(612,751)	(4,076)	(2,138)	-	(47,997)	(171,997)	(1,334,835)
Others	(795,415)	(1,993,303)	(90,718)	(132,138)	(2,587,153)	(440,587)	1,910,854	(4,128,460)
Total cost of revenue	(1,291,291)	(2,606,054)	(94,794)	(134,276)	(2,587,153)	(488,584)	1,738,857	(5,463,295)
Administrative and other expenses	-	-	-	(5,359)	(8,363)	(127,502)	-	(141,224)
Depreciation and amortisation	-	-	-	-	-	(5,575)	-	(5,575)
Total administrative and other expenses	-	-	-	(5,359)	(8,363)	(133,077)	-	(146,799)
Other income / expense, net	(480)	(1,848)	889	557	1,959	208,500	(4,092)	205,485
Finance cost	-	(168)	-	(90,539)	(1,635)	(216,190)	(6,364)	(314,896)
Zakat and income tax expense	-	(7,648)	-	(8,102)	-	(65,628)	(213)	(81,591)
Net profit / (loss) for the year	191,812	188,750	(53,827)	101,311	325	(656,040)	518,137	290,468
Non-controlling interest (NCI)	-	(23,543)	-	-	-	-	-	(23,543)
As at 31 December 2020								
Total assets	8,367,841	10,880,598	261,519	2,583,869	499,059	3,082,951	(1,564,030)	24,111,807
Total liabilities and equity	(7,395,249)	(9,413,173)	(261,408)	(2,583,869)	(499,059)	(5,523,079)	1,564,030	(24,111,807)

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5. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2019	Power	Water	Others	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	1,527,601	2,284,384	32,918	-	2,246,883	16,055	-	6,107,841
Inter segment	-	508,677	-	342,312	360,206	-	(1,211,195)	-
Total revenue	1,527,601	2,793,061	32,918	342,312	2,607,089	16,055	(1,211,195)	6,107,841
Cost of revenue								
Depreciation and amortisation	(505,647)	(594,419)	(3,158)	(8,892)	-	(35,931)	(171,764)	(1,319,811)
Others	(571,547)	(1,826,752)	(51,510)	(113,954)	(2,599,168)	(587,724)	1,482,287	(4,268,368)
Total cost of revenue	(1,077,194)	(2,421,171)	(54,668)	(122,846)	(2,599,168)	(623,655)	1,310,523	(5,588,179)
Administrative and other expenses	-	-	-	(5,569)	(7,921)	(214,194)	-	(227,684)
Depreciation and amortisation	-	-	-	-	-	(8,783)	-	(8,783)
Total administrative and other expenses	-	-	-	(5,569)	(7,921)	(222,977)	-	(236,467)
Other income/ expense, net	(157)	(484)	-	1,255	3,271	473,857	(5,264)	472,478
Finance cost	-	(469)	-	(130,725)	(1,762)	(416,146)	3,887	(545,215)
Share of loss in equity accounted investees	-	-	-	-	-	(21)	-	(21)
Zakat and income tax expense	-	(5,311)	-	(8,519)	-	16,675	(239)	2,606
Net profit / (loss) for the year	450,250	365,626	(21,750)	75,908	1,509	(756,212)	97,712	213,043
Non-controlling interest (NCI)	-	(14,773)	-	-	-	-	-	(14,773)
As at 31 December 2019								
Total assets	8,670,475	10,380,661	149,492	2,725,978	521,636	3,122,619	(2,060,391)	23,510,470
Total liabilities & Equity	(7,776,525)	(9,663,959)	(158,101)	(2,725,978)	(521,636)	(4,724,662)	2,060,391	(23,510,470)

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work – in-progress (Note 6.2)	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2019	25,184	17,179,246	3,239,211	3,982,871	2,359,857	90,369	510,695	1,342,848	28,730,281
Recognition of right-of-use asset on initial application of IFRS 16	365,277	-	10,848	-	-	-	11,341	-	387,466
Additions	21,050	32,368	11,500	71,103	391,329	-	48,893	561,466	1,137,709
Disposals	-	(1,653)	(12,647)	-	-	-	(422)	-	(14,722)
Transfers (Note 6.4)	-	93,829	24,890	12,112	44,808	-	15,768	(170,017)	21,390
Balance at 31 December 2019	411,511	17,303,790	3,273,802	4,066,086	2,795,994	90,369	586,275	1,734,297	30,262,124
Additions	**-**	**12,157**	**55,449**	**503,907**	**113,109**	**-**	**26,439**	**577,540**	**1,288,601**
Disposals	**-**	**(31,599)**	**-**	**-**	**-**	**-**	**(18,809)**	**-**	**(50,408)**
Transfers (Note 6.4)	**-**	**302,824**	**372,889**	**42,341**	**220,130**	**-**	**106,417**	**(1,029,949)**	**14,652**
Balance at 31 December 2020	**411,511**	**17,587,172**	**3,702,140**	**4,612,334**	**3,129,233**	**90,369**	**700,322**	**1,281,888**	**31,514,969**
Accumulated depreciation									
Balance at 1 January 2019	-	5,096,236	1,177,423	1,378,523	611,259	34,062	366,377	-	8,663,880
Depreciation (Note 26.2)	17,500	834,299	100,048	177,298	140,102	5,008	47,264	-	1,321,519
Disposals	-	(1,653)	-	-	-	-	(422)	-	(2,075)
Balance at 31 December 2019	17,500	5,928,882	1,277,471	1,555,821	751,361	39,070	413,219	-	9,983,324
Depreciation (Note 26.2)	**-**	**830,204**	**108,510**	**193,803**	**125,266**	**5,008**	**73,076**	**-**	**1,335,867**
Disposals	**-**	**(31,599)**	**-**	**-**	**-**	**-**	**(18,809)**	**-**	**(50,408)**
Balance at 31 December 2020	**17,500**	**6,727,487**	**1,385,981**	**1,749,624**	**876,627**	**44,078**	**467,486**	**-**	**11,268,783**
Carrying value:									
Balance at 31 December 2020	**394,011**	**10,859,685**	**2,316,159**	**2,862,710**	**2,252,606**	**46,291**	**232,836**	**1,281,888**	**20,246,186**
Balance at 31 December 2019	394,011	11,374,908	1,996,331	2,510,265	2,044,633	51,299	173,056	1,734,297	20,278,800

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Leased assets

The carrying value of right-of-use assets was SR 3,835 million as of 31 December 2020 (31 December 2019: SR 2,974.6 million). Additions include assets valued SR 243.5 million for the year ended 31 December 2020 (31 December 2019: SR 428.9 million) transferred from Royal Commission for Jubail and Yanbu and SR 532 million additions to right-of-use assets. (31 December 2019: SR 413.6 million).

6.2 Capital work-in-progress

Capital work-in-progress mainly represents costs incurred on new projects for installation of plant and machinery, civil infrastructure and equipment for various facilities of the Group.

6.3 Assets under charge

Property, plant and equipment with a carrying amount of SR 5,032 million (31 December 2019: SR 4,754.5 million) are subject to a first charge and second charge to secure SIDF loans (refer to Note 18).

6.4 Transfers

Property, plant and equipment with a carrying amount of SR 15.5 million were transferred during the year from inventories (31 December 2019: SR 12.3 million). Assets amounting to SR 0.8 million were also transferred to intangible assets (31 December 2019: SR 3.6 million transfer to inventories and intangible assets).

7. INTANGIBLE ASSETS

	2020	2019
	SR '000	SR '000
Cost		
Opening balance	**188,113**	184,494
Additions	**106**	64
Transfers from capital work in progress (Note 6.4)	**837**	3,555
Closing balance	**189,056**	188,113
Accumulated amortization		
Opening balance	**179,305**	172,230
Amortization	**4,543**	7,075
Closing balance	**183,848**	179,305
Carrying value		
At 31 December	**5,208**	8,808

8. GROUP INFORMATION

8.1 Subsidiaries

(i) One of the subsidiaries, TAWREED, entered into twenty years Power and Water Purchase Agreement (PWPA) with Jubail Water and Power Company (JWAP) for JWAP to construct, own, operate and transfer an Independent Water and Power Plant (IWPP). As per the PWPA, JWAP agreed to sell the entire power and water capacity and output of the IWPP only to TAWREED as per the rates stipulated in the PWPA.

(ii) TAWREED has entered into a back-to-back On-Sale Agreement (the "On-Sale Agreement") with Saudi Electric Company (SEC), Saline Water Conversion Corporation (SWCC) and Marafiq (the three jointly known as the "On-Sale Parties") for a similar term of twenty years to sell the entire power and water purchased from JWAP. Based on the terms of the On-Sale Agreement, all costs incurred by TAWREED, such as the cost of power and water capacity and water output, fuel cost, overheads and development costs, etc., are to be repaid by the On-Sale Parties without any mark up.

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8. GROUP INFORMATION (Continued)

8.1 Subsidiaries (Continued)

(iii) Financial information of MASA that has a non-controlling interest before intra-group eliminations is provided below:

Summarized statement of financial position

	2020	2019
	SR '000	SR '000
Current assets	**254,591**	238,851
Non-current assets	**52,797**	41,738
Current liabilities	**151,143**	167,203
Non-current liabilities	**46,626**	29,313
Equity	**109,619**	84,073

Summarized statement of profit or loss and other comprehensive income

	2020	2019
	SR '000	SR '000
Revenue	**532,563**	508,677
Profit before Zakat and income tax	**58,972**	37,824
Zakat	**(912)**	(580)
Income tax	**(6,736)**	(4,732)
Profit for the year	**51,324**	32,512
Other comprehensive loss	**(2,548)**	(334)
Total comprehensive income	**48,776**	32,178
Attributable to non-controlling interest (NCI)	**23,543**	14,774
Dividends paid / declared to NCI	**(9,722)**	(18,930)

Summarized statement of cashflows

	2020	2019
	SR '000	SR '000
Cash flows from operating activities	**157,860**	58,002
Cash flows used in investing activities	**(2,032)**	(7,925)
Cash flows used in financing activities	**(30,886)**	(53,868)
Net increase / (decrease) in cash and cash equivalents	**124,942**	(3,791)

8.2 Joint operation

Key financial highlights of Jubail Water and Power Company which has been accounted for as Joint Operation in these consolidated financial statements are provided below:

Summarized statement of financial position

	2020	2019
	SR '000	SR '000
Current assets	**986,144**	937,381
Non-current assets	**7,626,752**	8,149,211
Current liabilities	**850,496**	869,294
Non-current liabilities	**6,005,977**	6,323,049
Equity	**1,756,423**	1,894,249

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8. GROUP INFORMATION (Continued)

8.2 Joint operation (Continued)

Summarized statement of profit or loss and other comprehensive income

	2020	2019
	SR '000	SR '000
Revenue	**1,130,098**	1,141,040
Profit before zakat	**364,708**	281,421
Zakat and income tax	**(27,008)**	(28,398)
Profit for the year	**337,700**	253,023
Other comprehensive (loss) /income	**(198,604)**	110,980
Total comprehensive income	**139,096**	364,003

8.3 Equity accounted investees - associates
As at 31 December 2020, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by the Parent Company, is registered in Kingdom of Saudi Arabia with the principal activity to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu. As at 31 December 2020, the investment was carried at SR 0.04 million (31 December 2019: SR 0.04 million) using equity accounting method.
- Jeddah Althaniya Water Company, owned 45% by the Parent Company, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet. As at 31 December 2020, the investment was carried at SR 0.23 million (31 December 2019: SR 0.05 million) using equity accounting method.
- Jeddah Althaniya Operation and Maintenance Company, owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet. As at 31 December 2020, the investment was carried at SR 0.15 million (31 December 2019: Nil) using equity accounting method.

8.4 Investees include financial assets and financial liabilities amounting to SR 9,101.3 million and SR 7,430.7 million respectively (31 December 2019: SR 1,150.1 million and SR 7,705.8 million respectively). Financial assets include trade receivables, short term deposits, cash and cash equivalents and certain other receivables. Financial liabilities include loans and borrowings, trade payables, derivatives, accrued expense and certain other payables.

Profit for the year for investees include interest income amounting to SR 4.1 million (31 December 2019: SR 6.6 million) from investment in short term deposits.

9. LONG TERM RECEIVABLES AND PREPAYMENTS

	2020	2019
	SR '000	SR '000
Due from employees under home ownership program (Note 9.1)	**273,106**	343,785
Deferred employee benefit	**30,169**	39,830
Deferred cost (Note 9.2)	**19,025**	23,899
Long-term prepayments	**-**	1,934
	322,300	409,448

9.1 Due from employees under home ownership program
The Parent Company has established an employee home ownership program (HOP) that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. The cost of land and construction costs of the housing units are repayable by employees over a period up to twenty years. The ownership of the housing units is transferred to employees upon full payment of the amounts due. This amount, recorded at amortized cost, represents the cost of housing units sold to the employees under employee home ownership program.

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9. LONG TERM RECEIVABLES AND PREPAYMENTS (Continued)

The Group does not expect any impairment losses against this balance given the historical default experience together with the underlying value of the residential units and that the amounts due are deductible from monthly salaries of employees. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for due from employee home ownership program.

9.2 Deferred cost

Deferred cost is related to Parent Company's proportionate share in JWAP. The components of deferred cost are as follows:

	2020	2019
	SR '000	SR '000
Initial and strategic spares	**15,753**	17,354
Consultation charges	**3,272**	6,545
	19,025	23,899

Initial and strategic spares represent certain major capital spares acquired by JWAP and handed over to the operation and maintenance (O&M) Contractor under the O&M Agreement. These are amortised over the term of O&M agreement starting from the commencement of commercial operations.

10. INVENTORIES

	2020	2019
	SR '000	SR '000
Spare parts	**427,544**	396,593
Fuel oil	**43,262**	29,756
Others	**11,028**	9,427
	481,834	435,776
Less: Provision for slow-moving and obsolete inventories	**(169,300)**	(157,768)
	312,534	278,008

The movements in the provision for slow-moving and obsolete inventories is:

	2020	2019
	SR '000	SR '000
Opening balance	**157,768**	146,421
Provision during the year	**11,532**	11,347
Closing balance	**169,300**	157,768

11. TRADE RECEIVABLES

	2020	2019
	SR '000	SR '000
Trade receivables – related parties (Note 31.2)	**500,952**	465,356
Trade receivables – others	**430,530**	365,688
	931,482	831,044
Provision for impairment	**(24,717)**	(23,465)
	906,765	807,579

For terms and conditions relating to trade receivables from related party receivables, refer to Note 31.

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

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11. TRADE RECEIVABLES (Continued)

The movement in allowance for impairment in respect of trade receivables during the year is:

	2020	2019
	SR '000	SR '000
Opening balance	**23,465**	36,667
Charge for the year	**3,000**	-
Write off during the year	**(1,748)**	(13,202)
Closing balance	**24,717**	23,465

As at year end, the ageing analysis of trade receivables is as follows:

	Total	**Up to 6 months**	**6 to 12 months**	**More than 12 months**
ECL percentage		**1.98%**	**3.19%**	**5.19%**
Gross balance (SR in '000)				
2020	**931,482**	**704,171**	**52,759**	**174,552**
2019	831,044	667,138	55,642	108,264

See Note 23 on credit risk of trade receivables, which discusses how the Group manages and measures credit risk of trade receivables that are neither past due nor impaired.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	2019
	SR '000	SR '000
Accrued revenue	**231,624**	235,263
Advances and other receivables	**151,509**	126,556
Prepayments and others	**50,978**	51,720
SEC margin (Note 12.1)	**46,895**	182,743
Accrued finance income	**1,267**	542
	482,273	596,824

12.1 SEC margin represents compensation receivable by the Parent Company for the power produced by JWAP. Refer note 27.1.

13. SHORT-TERM DEPOSITS

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

14. CASH AND CASH EQUIVALENTS

	2020	2019
	SR '000	SR '000
Cash in hand	**6**	40
Cash at bank	**209,709**	138,494
Short term deposits	**385,100**	946,810
Cash and cash equivalents	**594,815**	1,085,344

Cash and cash equivalents include cash and bank balances and demand deposits with original maturities of three months or less.

Short-term deposits earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Bank balances at 31 December 2020 include SR 21.07 million (31 December 2019: SR 25.02 million) representing employees' contributions and finance income pertaining to the employees' saving plan.

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15. SHARE CAPITAL AND RESERVES

	2020	2019
	SR '000	SR '000
Authorized and issued shares		
Ordinary shares of SR 10 each – Number	**250,000**	250,000
Ordinary shares issued and fully paid – SR	**2,500,000**	2,500,000

15.1 Statutory reserve
In accordance with By-laws of the Parent Company, the Parent Company must set aside a statutory reserve by the appropriation of 4% of net profit until the reserve equals 20% of the share capital. This reserve is not available for distribution to the shareholders.

16. DIVIDENDS

	2020	2019
	SR '000	SR '000
Dividends to shareholders of the Parent Company	**125,000**	125,000
Weighted average number of ordinary shares outstanding during the year	**250,000**	250,000
Dividend per share – SR	**0.5**	0.5

In ordinary general assembly meeting held on 18 June 2020, the shareholders of the Parent Company approved to distribute dividends amounting to SR 125 million equivalent to 5% of the share capital (31 December 2019: SR 125 million) which was paid after deduction of respective share of Zakat of each shareholder.

17. EARNINGS PER SHARE

Basic earnings per share for profit and loss attributable to ordinary shares holders for the year ended 31 December are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue

	2020	2019
	SR '000	SR '000
Profit attributable to ordinary shareholders – SR	**266,925**	198,270
Weighted average number of ordinary shares outstanding during the year	**250,000**	250,000
Basic and dilutive earnings per share – SR	**1.07**	0.79

18. BANK LOANS AND BORROWINGS

	2020	2019
	SR '000	SR '000
MARAFIQ		
Fourth Murabaha	**1,500,000**	1,500,000
Fifth Murabaha	**1,500,000**	1,500,000
Sixth Murabaha	**3,400,000**	3,400,000
SIDF	**1,308,000**	1,308,000
	7,708,000	7,708,000
Less: Unamortised transaction costs	**(102,603)**	(124,781)
	7,605,397	7,583,219
JWAP		
Shariah compliant and other long-term loans (Note 18.2)	**1,849,047**	2,005,391
Less: Unamortised transaction costs	**(21,618)**	(34,251)
	1,827,429	1,971,140
	9,432,826	9,554,359

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18. BANK LOANS AND BORROWINGS (Continued)

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

	2020	2019
	SR '000	SR '000
Current maturity under current liabilities	**456,657**	275,688
Non-current maturity under non-current liabilities	**8,976,169**	9,278,671
	9,432,826	9,554,359

Movement in bank loans and borrowings is as follows:

	2020	2019
	SR '000	SR '000
Opening balance	**9,713,391**	10,797,879
Additions	**-**	6,400,000
Repayments	**(156,344)**	(7,484,488)
	9,557,047	9,713,391
Less: Unamortized transaction costs	**(124,221)**	(159,032)
Closing balance	**9,432,826**	9,554,359

Movement in unamortized transaction cost is as follows:

	2020	2019
	SR '000	SR '000
Opening balance	**159,032**	212,171
Additions	**-**	58,900
Amortization	**(34,811)**	(112,039)
Closing balance	**124,221**	159,032

18.1 *MARAFIQ*

Murabaha

During the year ended 31 December 2019, the Parent Company entered into three new loan agreements with three banks to restructure its Murabaha facilities with new loans having extended tenor. The new loans have aggregate amount of SR 6.4 billion (SR 1.5 billion, SR 1.5 billion and SR 3.4 billion) which was fully utilized as at 31 December 2020.

The Parent Company's payment obligations under the Murabaha Facility Documents rank pari passu with the claims of all its other unsecured creditors, except for obligations mandatorily preferred by law. The loan agreements include certain financial covenants including debt to tangible net worth and debt service coverage, to be maintained by the Parent Company during the term of the loans and at the year-end. The Parent Company complied with such covenants. The loans carry finance charges at Saudi Inter Bank Offered Rate (SIBOR) plus a margin.

Saudi Industrial Development Fund (SIDF)

The loan agreements entered into with SIDF on 26 May 2016 provided for two loans with an aggregate amount of SR 1.56 billion to finance the construction of Parent Company's production facilities. The Parent Company drawn full amount as at 31 December 2018. Up-front fees and annual administrative expenses are charged by SIDF under the loan agreement. The loans are payable in seventeen unequal semi-annual instalments which commenced in January 2018 and maturing in 2025.

The above loans are secured by a mortgage on certain assets of the Parent Company. The covenants of the borrowing facility with SIDF require the Parent Company to maintain certain level of financial conditions, limiting the annual dividends distribution and annual capital expenditures above certain limits.

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18. BANK LOANS AND BORROWINGS (Continued)

18.2 *JWAP*

	2020	2019
	SR '000	SR '000
International (Note a)	**1,196,997**	1,272,014
Islamic (Note b)	**470,640**	500,136
KEIC covered (Note c)	**181,410**	233,241
	1,849,047	2,005,391

a) During 2016, JWAP signed the Loan Reserve Account ("LRA") facility with two commercial banks amounting to USD 122 million under which the LRA lenders provide a letter of credit for the benefit of the long-term lenders. The value of the letter of credit is set annually and sized at an amount equivalent to six months debt service or USD 122 million whichever is lower. During 2017, JWAP renewed the LRA facility amounting to USD 123 million. Under this facility, the value of the letter of credit is set annually and sized at an amount equivalent to six months debt service or USD 123 million, whichever is lower. As at 31 December 2020, the Company is holding LRA facility amounting to USD 123 million.

b) The Islamic loan is structured in a manner whereby the Islamic lenders purchased certain assets of JWAP and leased the assets to JWAP for 20 years lease term. The cost of the lease is set by reference to LIBOR plus a margin.

c) JWAP and the arrangers have signed a Common Terms Agreement ("CTA"). Under the CTA, the lenders share in security granted by JWAP. This security includes charges over the JWAP'S assets (including plant and bank accounts) and the key project contracts. The CTA also includes certain covenants requiring JWAP to maintain certain financial ratios and restricting additional indebtedness and distributions to JWAP's shareholders.

d) During the year, JWAP obtained working capital loans to fulfil the short-term finance needs of the Company from a local bank. The facility was payable on-demand and carried interest at commercial rates. The loan was repaid during the year.

The aggregate maturities of the loans are summarised as follows:

	2020	2019
	SR '000	SR '000
2021	**484,582**	339,582
2022	**382,282**	382,282
2023	**426,426**	426,426
2024	**471,117**	471,117
2025 and above	**7,792,640**	8,093,984
	9,557,047	9,713,391

19. OTHER NON-CURRENT LIABILITIES

	2020	2019
	SR '000	SR '000
Obligation for assets transferred (Note 31.4)	**799,415**	1,066,927
Deferred income	**671,981**	305,811
Obligation for post-employment defined benefits (Note 19.1)	**592,457**	579,969
Fair value of derivatives	**132,722**	63,512
Retention payables	**99,884**	104,139
Employees' savings plan (Note 19.2)	**43,603**	42,412
Others	**6,531**	6,294
	2,346,593	2,169,064

19.1 Post-employment defined benefit plan

The Group has post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The Group and its subsidiaries recognise the benefits in the consolidated income statement. The benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in consolidated income statement and amounts recognized in the consolidated statement of financial position.

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19. OTHER NON-CURRENT LIABILITIES (Continued)

19.1 Post-employment defined benefit plan (Continued)

Movement in the present value of defined benefit obligation

	2020	2019
	SR '000	SR '000
Defined benefit obligation at 1 January	**579,969**	635,152
Interest cost	**20,960**	19,951
Current service cost	**66,938**	59,951
Net benefit expense recognized in consolidated income statement	**87,898**	79,902
Re-measurement loss / (gain) recognized in other comprehensive income	**4,739**	(2,809)
Benefits paid	**(80,149)**	(132,276)
Defined benefit obligation at 31 December	**592,457**	579,969

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	2020	2019
Discount rate	**2.3% to 3.4%**	3.90% - 3.85%
Future salary increases	**1.7% to 3.8%**	2.95% - 4.30%
Normal retirement age	**60 years**	60 years
Withdrawal rate	**Low, Flat Rate**	High

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2020 and 31 December 2019 is shown below:

Assumption	**Discount rate**	
Sensitivity Level	**1% increase**	**1% decrease**
	SR '000	**SR '000**
Defined benefit obligation as at 31 December 2020	**498,158**	**633,048**
Defined benefit obligation as at 31 December 2019	478,510	607,269
Assumption	**Future salary increases**	
Sensitivity Level	**1% increase**	**1% decrease**
	SR 000	**SR 000**
Defined benefit obligation as at 31 December 2020	**635,002**	**495,504**
Defined benefit obligation as at 31 December 2019	612,025	477,063

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19.2 Employees' savings plan

	2020	2019
	SR '000	SR '000
Opening balance	**42,412**	44,575
Additions	**7,317**	15,650
Payments	**(6,126)**	(17,813)
Closing balance	**43,603**	42,412

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20. TRADE PAYABLES

	2020	2019
	SR '000	SR '000
Trade payables	**284,509**	233,210
Due to related parties (Note 31.3)	**159,116**	239,924
Retention payable	**104,743**	98,560
Due to contractors	**36,325**	35,785
	584,693	607,479

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
	SR '000	SR '000
Accrued expenses and other payables – related parties (Note 31.3)	**173,957**	181,961
Deferred income	**54,430**	29,063
Fair value of derivatives	**38,966**	45,279
Provision for Zakat and income tax (Note 22)	**38,127**	21,940
Accrued finance charges	**13,881**	34,352
Provision for employee cost optimization (Note 26.1)	**-**	87,000
Accrued expenses and other payables – others	**538,119**	544,325
	857,480	943,920

22. ZAKAT AND INCOME TAX

Zakat and income tax charge for the year represents the accumulated amount of the Zakat and income tax provision made by the Parent Company and its subsidiaries.

During the year ended 31 December 2017, Royal Decree No. 131 was issued whereby the scope of taxable persons has been expanded to include Kingdom resident capital companies with respect to shares owned directly or indirectly by persons engaged in the production of oil and hydrocarbons. This amendment has resulted in a change in tax profile of companies having shares owned, whether directly or indirectly, by Saudi Arabian oil & hydrocarbon producing companies that were previously subject to Zakat.

Due to SAPCO's (a shareholder of the Parent Company) connection with Saudi Aramco, the Parent Company and its investees are subject to income tax to the extent of SAPCO's shareholding in the Parent Company.

On 31 January 2019, the General Authority for Zakat and Tax (GAZT) issued Transfer Pricing Bylaws (By-laws). These by-laws were enacted on 15 February 2019 as part of the tax law and became binding on tax payers for periods ending on or after 31 December 2018. This requires additional disclosure forms along with annual tax returns to be submitted to GAZT, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. The By-laws also require tax payers to adjust their tax expense for any transactions that are not carried out on an arms' length basis. Management has submitted disclosure form to GAZT up to the year ended 31 December 2019 in compliance with the By-Laws.

Amounts recognized in consolidated income statement

	2020	2019
	SR '000	SR '000
Zakat		
- Charge for the year	**35,250**	18,826
- Reversal of excess provision for prior period	**-**	(47,308)
Income tax		
- Current tax charge	**14,871**	11,356
- Prior tax charge	**-**	64
- Deferred tax charge	**31,470**	14,456
	81,591	(2,606)

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22. ZAKAT AND INCOME TAX (Continued)

Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2020	2019
	SR '000	SR '000
Deferred tax related to re-measurement gain / loss on defined benefit obligation	35	(199)
Deferred tax related to cash flow hedge of a joint operation	3,496	1,952
	3,531	1,753

The principal elements of the Zakat base of the Parent Company are as follows:

	2020	2019
	SR '000	SR '000
Non-current assets	19,425,407	19,430,359
Non-current liabilities	12,663,156	12,527,934
Opening shareholder equity	7,549,124	7,470,377
Net income before Zakat	356,689	217,380
Spare parts	374,879	348,157
Dividends paid, net of Zakat	107,609	110,087

Some of the above amounts have been adjusted in arriving at approximate Zakat base and the Zakat charge for the year.

(i) Movement in Zakat and income tax provision

	2020	2019
	SR '000	SR '000
At 1 January	21,940	70,587
Provision for Zakat and income tax	50,121	28,050
Prior year charge	-	2,222
Reversal of provision	-	(47,334)
Payment of Zakat and income tax	(33,934)	(31,585)
At 31 December	38,127	21,940

Due to the tax losses incurred during the year ended 31 December 2020, no income tax has been charged in the Parent Company's financial statements (31 December 2019: Nil).

The income tax charge for the year ended 31 December 2020 of SR 5.4 million (31 December 2019: SR 3.8 million) for the non-controlling interest has been included as part of the non-controlling interest.

(ii) Deferred tax liabilities

	2020	2019
	SR '000	SR '000
Balance at 1 January	36,271	19,160
Charge for the year	33,426	17,111
Balance at 31 December	69,697	36,271

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

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22. ZAKAT AND INCOME TAX (Continued)

(iii) Deferred tax assets

	2020	2019
	SR '000	SR '000
Balance at 1 January	**9,566**	5,775
Credit for the year	**5,451**	3,791
Balance at 31 December	**15,017**	9,566

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense and unused tax losses for subsidiaries. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

(iv) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)
Marafiq finalised Zakat and income tax assessments up to the year 2018 with the General Authority for Zakat and Tax (GAZT). Income tax and Zakat return for the year ended 31 December 2019 has been submitted within the statutory deadline.

Marafiq Water and Power Supply Company (TAWREED)
The Company has received final Zakat assessment from the GAZT up to 2009. During 2012, the Company received assessments for the years 2009 and 2010 claiming an additional Zakat of Saudi Riyals 26,894 against which the Company filed an objection with GAZT and after its rejection, filed an appeal to The General Secretariat of the Tax Committees (GSTC). GSTC upheld the GAZT's decision and accordingly the above-mentioned additional Zakat liability was settled by the Company. Assessments for the years 2011 to 2019 are still under review by the GAZT. Income tax and Zakat return for the year ended 31 December 2019 has been submitted within the statutory deadline.

Jubail Water and Power Company (JWAP)
The Zakat and income tax assessment from the year 2007 through 2012 have been finalized. The income tax and zakat returns for the years 2013 through 2019 has been submitted with the GAZT and GAZT's review is awaited. The GAZT has requested certain additional information for the year ended 31 December 2018 which has been submitted to the GAZT and GAZT's review is awaited.

Marafiq SAUR Operation and Maintenance Company (MASA)
The assessments for the years since inception through 2019 under review by the GAZT.

(v) Reconciliation of accounting profit to income tax charge

	2020	2019
	SR '000	SR '000
Profit before Zakat and income tax	**372,059**	210,437
Tax at 20%	**74,412**	42,087
Effect of profit subject to Zakat	**(44,016)**	(31,646)
Effect of permanent differences	**10,355**	14,793
Others	**5,590**	642
Income tax charge for the year	**46,341**	25,876

23. FINANCIAL INSTRUMENTS

23.1 Financial assets

	2020	2019
	SR '000	SR '000
Trade receivables (Note 11)	**931,482**	831,044
Other receivables	**385,525**	474,853
Due from employee home ownership program (Note 9)	**273,106**	343,785
Short term deposits	**1,226,300**	36,000
Cash and cash equivalents (Note 14)	**594,815**	1,085,344
Total financial assets not measured at fair value	**3,411,228**	2,771,026

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23. FINANCIAL INSTRUMENTS (Continued)

23.2 Financial liabilities

	2020	2019
	SR '000	SR '000
Loans and borrowings (Note 23.2.1)	**9,557,047**	9,713,391
Lease liabilities (Note 32)	**3,833,132**	3,321,023
Other non-current liabilities	**949,433**	1,219,772
Trade payables (Note 20)	**584,693**	607,479
Accrued expense and other payables	**725,957**	847,638
Total financial liabilities not measured at fair value	**15,650,262**	15,709,303

23.2.1 Bank loans and borrowings (Note 18)

	Interest rate %	Maturity	**2020**	2019
			SR '000	SR '000
Marafiq				
Fourth Murabaha	SIBOR + margin	2034	**1,500,000**	1,500,000
Fifth Murabaha	SIBOR + margin	2034	**1,500,000**	1,500,000
Sixth Murabaha	SIBOR + margin	2034	**3,400,000**	3,400,000
SIDF	-	2025	**1,308,000**	1,308,000
JWAP				
International loans	LIBOR + margin	2029	**1,196,997**	1,272,014
KEIC covered loans	LIBOR + margin	2024	**181,410**	233,241
Islamic loans	LIBOR + margin	2029	**470,640**	500,136
			9,557,047	9,713,391

23.3 Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortized cost except for the cash flow hedge in JWAP that is carried at fair value on a recurring basis.

The Group has not disclosed the fair value for financial instruments such as short-term trade and other receivables, trade and other payables and cash and bank balances, as their carrying amounts are a reasonable approximation of fair values largely because of short-term maturity of these instruments. The fair value of Murabaha, SIDF and other loans facilities is approximately the same as their carrying value.

Fair value hedge

As at 31 December 2020, JWAP held Interest Rate Swaps ("IRS") of a notional value of SR 2.4 billion (31 December 2019: SR 2.3 billion), in order to reduce its exposure to interest rate risks against long-term financing. The table below shows the fair values of derivative financial instruments, recorded as liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

	31 December 2020		31 December 2019	
	Liabilities	***Notional amount***	*Liabilities*	*Notional amount*
	SR '000	***SR '000***	*SR '000*	*SR '000*
Cash flow hedges				
Interest rate swaps	**171,689**	**2,436,345**	108,791	2,338,964

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

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23. FINANCIAL INSTRUMENTS (Continued)

23.3 Measurement of fair values (Continued)

Fair value hedge (Continued)

Fair values of cash flows hedge of SR 38.97 million and SR 132.7 million (31 December 2019: SR 45.27 million and SR 63.51 million respectively) represents the current and non-current portion of the negative mark to market values of the interest rate swaps as of 31 December 2020. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in the consolidated income statement when the hedged transaction impacts the income or loss. Under the finance agreements, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the IRS are recognised in the consolidated income statement.

Fair value hierarchy of financial instruments

	Fair value			
31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Share of cash flow hedge reserve of a joint operation	**-**	**(162,146)**	**-**	**(162,146)**

	Fair value			
31 December 2019	Level 1	Level 2	Level 3	Total fair value
Share of cash flow hedge reserve of a joint operation	-	(102,745)	-	(102,745)

Derivative assets and liabilities designated as cash flow hedges
The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected cash flows			
	Carrying amount	*Total*	*12 months or less*	*More than one year*	*More than five years*
31 December 2020					
Interest rate swaps					
Liabilities	**171,689**	**43,584**	**21,673**	**27,219**	**(5,308)**
31 December 2019					
Interest rate swaps					
Liabilities	108,791	4,084	17,622	(11,166)	(2,372)

23.4 Financial instruments risk management objectives and policies
The Group's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables that arrive directly from its operations. The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Fair value measurement
For information about the methods and assumptions used in determining the fair value of derivatives refer to note 23.3. For other financial assets and financial liabilities of the Group, their fair value approximates the carrying value, unless specifically disclosed in the relevant note.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and certain other financial instruments.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Cash flow and Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group risk exposure that is directly affected by the interest rate benchmark reform is its SR 1.85 billion floating-rate debt. The Group has hedged its debt of JWAP with an interest rate swap amounting to SR 1.81 billion as at 31 December 2020, and it has designated the swap in a cash flow hedge of the variability in cash flows of the debt, due to changes in 6-month LIBOR that is the current benchmark interest rate.

A fundamental reform of major interest benchmark is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as IBOR reform). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The treasury department monitors and manages the transition to alternative rates. The treasury department evaluates the extent to which contracts reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with the counterparties. The treasury department reports to the Group's board of directors from time to time and collaborates with other business functions as needed. It provides periodic report as appropriate to management of interest rate risk and / or risks arising from IBOR reform.

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reforms as at 31 December 2020. Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge effectiveness.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	2020	2019
	SR '000	SR '000
Increase/decrease by 100 basis points	**-/+ 103,617**	-/+ 64,866

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is the relevant interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued

Foreign Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk
The Group is affected by the volatility of certain commodities, primarily fuel oil. The Group's Board of Directors have developed and enacted a risk management strategy dealing with commodity price risk and its mitigation by entering into long-term contracts with Saudi Aramco for supply of fuel.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions.

Trade receivables
Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit worthiness analysis. At 31 December 2020, the Group had 8 customers (31 December 2019: 9 customers) that owed it more than SR 20 million each and accounted for approximately 60% (31 December 2019: 54%) of gross receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are combined into homogenous categories based on their classification into industrial, government, residential and commercial categories and assessed for impairment collectively. The calculation is based on historical data adjusted for future outlook and expectations. Loss rates are calculated using a 'roll rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments. The calculation is based on historical data adjusted for future outlook and expectations.

The expected credit loss estimates are disclosed in Note 11. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 23.1. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as its customers are located in multiple locations and several industries and operate in largely independent markets.

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management, and may be updated throughout the year subject to approval of the higher management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 23.1.

Liquidity risk
Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, Islamic Murabaha loans and other sources of funding. 5.1% of the Group's debt will mature in less than one year at 31 December 2020 (31 December 2019: 3.5%) based on the carrying value of borrowings reflected in the consolidated financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Liquidity risk (Continued)

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

		Contractual undiscounted cash flows			
As at 31 December 2020	**Carrying value**	**Within 12 months**	**2 to 5 years**	**> 5 years**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Trade payables	**584,693**	**584,693**	**-**	**-**	**584,693**
Loans and borrowings	**9,557,047**	**644,512**	**3,068,154**	**7,203,477**	**10,916,143**
Lease liabilities	**3,833,132**	**728,142**	**1,521,914**	**1,951,984**	**4,202,040**
Accrued expense and other payables	**725,957**	**725,957**	**-**	**-**	**725,957**
Other non-current liabilities	**949,433**	**-**	**-**	**949,433**	**949,433**
	15,650,262	**2,683,304**	**4,590,068**	**10,104,894**	**17,378,266**

		Contractual undiscounted cash flows			
As at 31 December 2019	Carrying value	Within 12 months	2 to 5 years	> 5 years	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Trade payables	607,479	607,479	-	-	607,479
Loans and borrowings	9,713,391	527,088	2,650,592	8,236,027	11,413,707
Lease liabilities	3,321,023	367,032	1,594,707	1,542,470	3,504,209
Accrued expense and other payables	847,638	847,638	-	-	847,638
Other non-current liabilities	1,219,772	-	-	1,219,772	1,219,772
	15,709,303	2,349,237	4,245,299	10,998,269	17,592,805

Capital management

Capital includes equity attributable to the equity holders of the Parent Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total debt to tangible net worth. The Group's policy is to keep the gearing ratio less than 3%. Tangible net worth includes share capital, reserves, retained earnings, excluding dividend declared or paid and any unrealized income from investment in securities. The Group's net debt to adjusted equity ratio as at year end was as follows:

	2020	2019
	SR '000	SR '000
Total liabilities	**17,124,421**	16,919,838
Less: cash and cash equivalents	**(594,815)**	(1,085,344)
Net debt	**16,529,606**	15,834,494
Total equity	**6,987,386**	6,878,354
Add: fair value reserve of cash flow hedge of a joint operation	**162,146**	102,745
Adjusted equity	**7,149,532**	6,981,099
Net debt to adjusted equity ratio	**2.31**	2.27

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. There have been no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020 and 31 December 2019.

24. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	2020	2019
	SR '000	SR '000
Power	**3,119,808**	3,198,225
Water	**2,898,043**	2,862,706
Others	**73,713**	46,910
	6,091,564	6,107,841

24.1 The Group provides utility services to various customers across the Kingdom of Saudi Arabia. Revenue from contract with customers is recognized over time (Refer note 2.3 (d)).

25. COST OF REVENUE

	2020	2019
	SR '000	SR '000
Power and water costs	**1,450,846**	1,414,630
Fuel and chemicals	**1,420,679**	1,453,729
Depreciation (Note 26.2)	**1,333,168**	1,318,239
Employees related costs	**726,941**	824,338
Operating and maintenance expenses	**203,824**	193,184
Repair and maintenance	**178,079**	194,657
Provision for slow-moving and obsolete inventories (Note 10)	**11,532**	11,347
Amortization of intangible assets	**1,667**	1,572
Others	**136,559**	176,483
	5,463,295	5,588,179

25.1 Cost of revenue includes inventories consumed during the year amounting to SR 253.87 million (2019: SR 331.55 million).

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26. ADMINISTRATIVE EXPENSES

	2020	2019
	SR '000	SR '000
Employee related costs	**66,414**	82,529
Service contracts	**15,498**	13,828
Donations	**14,335**	15,660
Amortization of intangible assets	**2,876**	5,503
Depreciation (Note 26.2)	**2,699**	3,280
Provision for employee cost optimization (Note 26.1)	**-**	87,000
Others	**44,977**	28,667
	146,799	236,467

26.1 During the year ended 31 December 2019, the Parent Company carried out an exercise for structural re-organization that included employees cost optimization plan whereby the Parent Company planned to offer early retirement packages to employees meeting defined criteria in order to reduce the overall employee costs and achieve more operating efficiencies. The provision represented Group's best estimate of the anticipated costs amounting to SR 87 million as at 31 December 2019.

26.2 Depreciation

	2020	2019
	SR '000	SR '000
Included in cost of sales	**1,333,168**	1,318,239
Included in administrative expenses	**2,699**	3,280
	1,335,867	1,321,519

27. OTHER OPERATING INCOME

	2020	2019
	SR '000	SR '000
SEC margin (Note 27.1)	**163,820**	174,752
Vendor penalties	**8,485**	4,537
Tariff differential income (Note 27.2)	-	265,482
Others (Note 27.3)	**49,996**	-
	222,301	444,771

27.1 SEC margin
The Supreme Economic Council in its resolution number 369/27 dated 29 Shawwal 1427 (20 November 2006) mentioned that the Parent Company would be compensated for selling the entire power produced by the IWPP to SEC instead of selling it to the Parent Company's customers and for its efforts to establish the initial set-up and to start the IWPP project. Accordingly, the Parent Company recognized SR 163.8 million (2019: SR 174.7 million) SEC margin income representing the agreed compensation to be received from SEC.

27.2 Tariff differential
During the year ended 31 December 2019, the Parent Company and Saudi Electricity Company (SEC) reached an agreement to settle long outstanding tariff differential receivables for period from 1 January 2003 to 31 May 2014. As a result, the Parent Company received SR 265 million from SEC which was recognized as income.

27.3 Others
This includes SR 25.6 million received by the Parent Company on account of project savings shared between all shareholders of JWAP in the proportion of their shareholding. The income comprises savings on account of certain shareholders since inception of plant of operation till 31 December 2018.

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28. OTHER OPERATING EXPENSES

	2020 SR '000	2019 SR '000
Provision for asset write-off	**31,637**	7,377
Others	**5,063**	4,751
	36,700	12,128

29. FINANCE INCOME

	2020 SR '000	2019 SR '000
Income on short term deposits	**12,840**	28,868
Unwinding of discount on HOP receivable (Note 9)	**10,044**	10,946
	22,884	39,814

30. FINANCE COSTS

	2020 SR '000	2019 SR '000
Finance costs on loans and borrowings	**263,424**	415,796
Amortization of transaction cost of bank loans and borrowings (Note 18)	**34,811**	112,039
Finance cost on lease liabilities (Note 32)	**14,636**	15,731
Others	**2,025**	1,649
	314,896	545,215

31. RELATED PARTY TRANSACTIONS AND BALANCES

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group did not record any provision for impairment of receivables (31 December 2019: Nil) relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

31.1 Significant transactions with related parties

(i) Revenues and other income include earnings from providing power and water services to related parties in accordance with long term supply agreements as follows:

	2020 SR '000	2019 SR '000
Shareholders		
SABIC and its subsidiaries	**1,517,111**	1,580,053
Royal Commission for Jubail & Yanbu	**118,395**	120,091
Other related parties		
Saudi Aramco and its subsidiaries	**1,121,295**	1,229,189
Saudi Electricity Company	**1,638,306**	1,704,423
	4,395,107	4,633,756

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

	2020 SR '000	2019 SR '000
Saudi Aramco and its subsidiaries	**1,430,619**	1,488,630
Saudi Electricity Company	**98,262**	145,168
	1,528,881	1,633,798

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31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.2 Due from related parties

Trade receivables

	2020	2019
	SR '000	SR '000
Shareholders		
SABIC and its subsidiaries	**197,311**	220,867
Royal Commission for Jubail & Yanbu	**91,988**	48,190
Other related parties		
Saudi Aramco and its subsidiaries	**209,594**	157,607
Saudi Electricity Company	**2,059**	38,692
	500,952	465,356

Prepayments and other receivables

	2020	2019
	SR '000	SR '000
Saudi Electricity Company	**186,292**	182,743
	186,292	182,743

31.3 Due to related parties

Trade payables

	2020	2019
	SR '000	SR '000
Saudi Aramco and its subsidiaries	**109,302**	124,407
Saudi Electricity Company	**49,814**	115,517
	159,116	239,924

Retention payable

	2020	2019
	SR '000	SR '000
Royal Commission for Jubail & Yanbu	**6,719**	22,691

Accrued and other liabilities

	2020	2019
	SR '000	SR '000
Shareholders		
Royal Commission for Jubail & Yanbu	**8,839**	10,303
Other related parties		
Saudi Aramco and its subsidiaries	**163,204**	135,768
Saudi Electricity Company	**1,914**	35,890
	173,957	181,961

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31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.4 Due to a shareholder

Future minimum lease payments of land leases under the lease contracts with Royal Commission for Jubail and Yanbu, together with the present value of the net minimum lease payments are as follows:

	2020	2019
	SR '000	SR '000
Lease obligation in respect of assets on lease from Royal Commission (Note (i))		
- Non-current	**2,745,382**	2,940,381
- Current	**669,176**	350,383
	3,414,558	3,290,764
Obligation in respect of asset transferred from Royal Commission (Note (ii))	**799,415**	1,066,927
	4,213,973	4,357,691

(i) Based on the formal agreement signed between the Parent Company and the Royal Commission in 2006, effective 1 January 2003, the Royal Commission leased to the Parent Company power and water operating facilities at Yanbu and water operating facilities at Jubail, valued at SR 3,373 million. The obligation under this lease will be payable by the Parent Company in 20 equal annual instalments of SR 168.7 million each.

The Parent Company signed the second lease agreement in 2016 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 1,526.6 million. The obligation under this lease will be payable by the Parent Company in 31 annual instalments.

The Parent Company signed the third lease agreement in 2017 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 318.8 million. The obligation under this lease will be payable by the Parent Company in 33 annual instalments.

The Parent Company signed the fourth lease agreement in 2017 with Royal Commission in Jubail for additional power and water operating facilities valued at SR 1,777.8 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the fifth lease agreement in 2018 with Royal Commission in Yanbu for additional water operating facilities valued at SR 13.1 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the sixth lease agreement in 2019 with Royal Commission in Yanbu for additional water operating facilities valued at SR 1.2 million. The obligation under this lease will be payable by the Parent Company in 29 annual instalments.

The Parent Company signed the seventh lease agreement in 2020 with Royal Commission in Yanbu for additional water operating facilities valued at SR 510.9 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

(ii) The Parent Company has outstanding obligation against assets received from the Royal Commission aggregating to SR 799.4 million (31 December 2019: SR 1,066.9 million) for which the finalization of the terms and conditions of payment are pending and accordingly, the balance has been classified as a non-current liability (Note 19).

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31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

31.5 Transactions with key management personnel

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

Other Directors interests

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

	2020	2019
	SR '000	SR '000
Short-term employee benefits	**33,209**	35,164
Post-employment defined benefit plan	**6,430**	3,844
Total compensation paid to key management personnel	**39,639**	39,008

32. LEASES

Leases as lessee (IFRS 16)

The Group leases vehicles, land, and houses. The leases typically run for a period of 1 to 50 years, with some leases containing an option to mutually renew the lease after that date.

The Group has leases approximately amounting to SR 4.9 million with contract terms of less than 12 months (2019: SR 1.2 million). These leases are short term or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

i. Right-of-use assets

	Land	**Buildings, wells and civil infrastructure**	**Others**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**
Recognition of right-of-use asset on initial application of IFRS 16 as at 1 January 2019	365,277	10,848	11,341	387,466
Additions to right-of-use assets	21,050	-	20,077	41,127
Depreciation charge	(17,500)	(5,550)	(9,796)	(32,846)
Balance at 31 December 2019	368,827	5,298	21,622	395,747
Additions to right-of-use assets	**-**	**8,351**	**524,474**	**532,825**
Depreciation charge	**(16,614)**	**(4,747)**	**(9,402)**	**(30,763)**
Balance at 31 December 2020	**352,213**	**8,902**	**536,694**	**897,809**

ii. Amounts recognised in consolidated income statement

	2020	2019
	SR '000	SR '000
Interest on lease liabilities	**14,635**	15,731
Depreciation	**30,763**	32,846
Expenses relating to short-term or low value leases	**720**	300
	46,118	48,877

iii. Lease Liabilities

	2020	2019
	SR '000	SR '000
Current portion	**721,248**	365,258
Non-current portion	**3,111,884**	2,955,765
	3,833,132	3,321,023

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32. LEASES (Continued)

iii. Lease Liabilities (Continued)

Movement of lease liabilities

	2020	2019
	SR '000	SR '000
Balance at 1 January	**3,321,023**	3,216,533
Recognition of right-of-use asset on initial application of IFRS 16	**-**	387,467
Additions	**532,825**	54,927
Interest on lease liabilities	**14,635**	15,731
Payment during the year	**(35,351)**	(353,635)
Balance at 31 December	**3,833,132**	3,321,023

33. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the year but not incurred is SR 1,993 million (31 December 2019: SR 1,535.2 million).

Other commitment

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

Contingent liabilities

At 31 December 2020, bank guarantees have been issued amounting to SR 425.7 million (31 December 2019: SR 301.1 million) by the Group's bankers, on behalf of the Group in the ordinary course of business.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation in the consolidated financial statements which include:

i. reclassification of retention payable included in trade payables to other non-current liabilities amounting to SR 104.14 million; and

ii. reclassification of deferred tax assets to deferred tax liabilities amounting to SR 287.8 million.

The above reclassifications do not have any impact on opening balance of comparative information and consolidated income statement.

35. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2020 and the date of approval of the consolidated financial statements by the Board of Directors which may have an impact on these consolidated financial statements.

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

المركز الرئيسي في الرياض

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, consolidated statements of profit or loss 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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.

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, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

Independent Auditor's Report

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

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 scepticism 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.
- 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

KPMG

Independent Auditor's Report

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

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

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 Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) and its subsidiaries ("the Group").

KPMG Professional Services

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, 10 Ramadan 1443H
Corresponding to: 11 April 2022G.

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POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**20,412,090**	20,246,186
Intangible assets	7	**9,619**	5,208
Equity accounted investees	8.3	**11,706**	409
Long-term receivables and prepayments	9	**272,418**	322,300
Deferred tax assets	22	**7,430**	15,017
Total non-current assets		**20,713,263**	20,589,120
Current assets			
Inventories	10	**273,539**	312,534
Trade receivables	11	**834,096**	906,765
Prepayments and other current assets	12	**384,155**	482,273
Short-term deposits	13	**1,422,200**	1,226,300
Cash and cash equivalents	14	**482,654**	594,815
Total current assets		**3,396,644**	3,522,687
TOTAL ASSETS		**24,109,907**	24,111,807
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**2,500,000**	2,500,000
Statutory reserve	15.1	**287,960**	261,010
Retained earnings		**4,834,430**	4,334,889
Equity before fair value reserve for cash flow hedge of investees		**7,622,390**	7,095,899
Fair value reserve for cash flow hedge of investees	23.3	**(71,304)**	(162,146)
Equity attributable to equity holders of the Parent Company		**7,551,086**	6,933,753
Non-controlling interest	1	**-**	53,633
Total equity		**7,551,086**	6,987,386
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	18	**8,617,965**	8,976,169
Lease liabilities	31	**2,865,048**	3,111,884
Other non-current liabilities	19	**2,752,632**	2,346,593
Deferred tax liabilities	22	**126,443**	69,697
Total non-current liabilities		**14,362,088**	14,504,343
Current liabilities			
Current portion of bank loans and borrowings	18	**361,066**	456,657
Current portion of lease liabilities	31	**367,330**	721,248
Trade payables	20	**612,327**	584,693
Accrued expenses and other current liabilities	21	**856,010**	857,480
Total current liabilities		**2,196,733**	2,620,078
Total liabilities		**16,558,821**	17,124,421
TOTAL EQUITY AND LIABILITIES		**24,109,907**	24,111,807

The financial statements appearing on pages 1 to 52 were approved by the Board of Directors of the Parent Company and have been signed on their behalf by:

Abdallah Ibrahim Al-Saadan	Mohammed Berki Al-Zuabi	Muhammed Abdulhamid AlMulhim
Chairman	President & CEO	VP Finance

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000
Revenue	24	**6,192,287**	6,091,564
Cost of revenue	25	**(5,287,609)**	(5,463,295)
Gross profit		**904,678**	628,269
Administrative expenses	26	**(144,996)**	(146,799)
Reversal / (charge) for impairment on trade receivables	11	**1,873**	(3,000)
Other operating income	27	**245,574**	222,301
Other operating expenses		**(9,413)**	(36,700)
Operating profit		**997,716**	664,071
Finance income	28	**19,606**	22,884
Finance costs	29	**(236,518)**	(314,896)
Share in results of equity accounted investees		**849**	-
Profit before Zakat and income tax		**781,653**	372,059
Zakat and income tax	22	**(116,999)**	(81,591)
Profit for the year		**664,654**	290,468
Attributable to:			
Equity holders of the Parent Company		**631,999**	266,925
Non-controlling interest	1	**32,655**	23,543
		664,654	290,468
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders	17	**2.53**	1.07

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	SR '000	SR '000
Profit for the year	**664,654**	290,468
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Share of gain / (loss) on cash flow hedge of a joint operation, net of deferred tax	**80,394**	(59,401)
Share of gain on cash flow hedge of an equity accounted investee, net of deferred tax	**10,448**	-
Share of gain / (loss) on cash flow hedge of investees, net of deferred tax	**90,842**	(59,401)
Other comprehensive income that will not be reclassified to income statement in subsequent periods:		
Re-measurement gain / (loss) on defined benefit obligation, net of deferred tax	**6,107**	(4,704)
Other comprehensive income / (loss) for the year	**96,949**	(64,105)
Total comprehensive income for the year	**761,603**	226,363
Attributable to:		
Equity holders of the Parent Company	**728,948**	203,976
Non-controlling interest	**32,655**	22,387
	761,603	226,363

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Parent Company						
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of investees SR '000	Total SR '000	Non-controlling interest SR '000	Total equity SR '000
As at 1 January 2020	2,500,000	249,366	4,190,765	(102,745)	6,837,386	40,968	6,878,354
Profit for the year	-	-	266,925	-	266,925	23,543	290,468
Other comprehensive income	-	-	(3,548)	(59,401)	(62,949)	(1,156)	(64,105)
Total comprehensive income	-	-	263,377	(59,401)	203,976	22,387	226,363
Transfer to statutory reserve	-	11,644	(11,644)	-	-	-	-
Dividends (Note 16)	-	-	(107,609)	-	(107,609)	(9,722)	(117,331)
As at 31 December 2020	2,500,000	261,010	4,334,889	(162,146)	6,933,753	53,633	6,987,386
As at 1 January 2021	**2,500,000**	**261,010**	**4,334,889**	**(162,146)**	**6,933,753**	**53,633**	**6,987,386**
Profit for the year	**-**	**-**	**631,999**	**-**	**631,999**	**32,655**	**664,654**
Other comprehensive income	**-**	**-**	**6,107**	**90,842**	**96,949**	**-**	**96,949**
Total comprehensive income	**-**	**-**	**638,106**	**90,842**	**728,948**	**32,655**	**761,603**
Dividends (Note 16)	**-**	**-**	**(140,605)**	**-**	**(140,605)**	**(12,735)**	**(153,340)**
Acquisition of non-controlling interest (Note 1)	**-**	**-**	**28,990**	**-**	**28,990**	**(73,553)**	**(44,563)**
Transfer to statutory reserve	**-**	**26,950**	**(26,950)**	**-**	**-**	**-**	**-**
As at 31 December 2021	**2,500,000**	**287,960**	**4,834,430**	**(71,304)**	**7,551,086**	**-**	**7,551,086**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**664,654**	290,468
Adjustments for:			
Depreciation of property, plant and equipment	6	**1,140,672**	1,335,867
Amortization of intangible assets	7	**28,461**	4,543
Amortization of deferred income		**(58,638)**	(55,457)
Amortization of deferred employee benefits		**5,584**	11,159
(Reversal) / charge for provision for impairment of trade receivables	11	**(1,873)**	3,000
Loss on disposal of property, plant and equipment		**3,818**	-
Other provision		**-**	31,637
Provision for slow-moving and obsolete inventories	10	**25,161**	11,532
Provision for employees' benefits	19.1	**79,077**	87,898
Share of gain from investment in equity accounted investees		**(849)**	-
Finance income	28	**(19,606)**	(22,884)
Finance costs	29	**236,518**	314,896
Zakat and income tax charge	22	**116,999**	81,591
Changes in:			
Trade receivables		**74,542**	(102,186)
Inventories		**13,834**	(61,547)
Prepayment and other current assets		**100,570**	113,778
Long term receivables and other assets		**51,104**	87,531
Trade payables		**27,634**	(22,786)
Accrued expenses and other current liabilities		**(3,605)**	(139,125)
Cash generated from operating activities		**2,484,057**	1,969,915
Employees' benefits paid	19.1	**(18,627)**	(80,149)
Interest paid		**(181,476)**	(285,920)
Zakat and income tax paid	22	**(53,941)**	(33,934)
Net cash from operating activities		**2,230,013**	1,569,912
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment, net		**(786,442)**	(582,593)
Additions to intangible assets	7	**(9)**	(106)
Investment in associate		**-**	(315)
Acquisition of non-controlling interest	1	**(57,298)**	-
Interest income on short term deposits		**10,348**	12,115
Net movement in short-term deposits		**(195,900)**	(1,190,300)
Net cash used in investing activities		**(1,029,301)**	(1,761,199)

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 SR '000	2020 SR '000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings	18	**(484,581)**	(156,344)
Proceeds from short term borrowings		**173,400**	173,400
Repayment of short term borrowings		**(173,400)**	(173,400)
Payment of lease obligation	31	**(619,370)**	(35,351)
Net change in other non-current liabilities		**(68,317)**	9,784
Dividends paid, net of zakat	16	**(140,605)**	(117,331)
Net cash used in financing activities		**(1,312,873)**	(299,242)
Net change in cash and cash equivalents		**(112,161)**	(490,529)
Cash and cash equivalents at the beginning of the year		**594,815**	1,085,344
Cash and cash equivalents at the end of the year	14	**482,654**	594,815
SUPPLEMENTAL CASH FLOW INFORMATION			
Significant non-cash transactions			
Property, plant and equipment transferred from the Royal Commission	6.1	**563,851**	243,455
Addition to right-of-use assets	31	**4,259**	532,825
Non-cash consideration: customer funded assets acquired		**-**	440,696
Transfers to intangibles from capital work in progress	6.4	**32,863**	14,652
Change in fair value reserve for cash flow hedge of investees		**95,626**	(62,897)
Dividend receivable related to NCI transferred to Parent Company on acquisition	1	**12,735**	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

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

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

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

	2021	2020
Saudi Basic Industries Corporation ("SABIC")	**24.81%**	24.81%
Saudi Aramco Power Company ("SAPCO")	**24.81%**	24.81%
Royal Commission for Jubail & Yanbu ("Royal Commission")	**24.81%**	24.81%
Public Investment Fund ("PIF")	**24.81%**	24.81%
Other private sector investors	**0.76%**	0.76%
	100%	100%

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities. In order to render such services, the Parent Company may:

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

Prior to the commencement of operations of the Parent Company, the supply of the above services was undertaken by the Royal Commission for Jubail and Yanbu ("the Royal Commission"). Pursuant to various government directives, the Parent Company is required to deliver such services to customers in Jubail and Yanbu industrial cities.

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

Group structure

Subsidiaries
As at 31 December 2021, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries hereinafter referred to as "the Group"):

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

- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Electric Company, Saline Water Conversion Corporation and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.

- Marafiq SAUR Operation and Maintenance Co. ("MASA"), owned 100% (2020: 51%) by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

  On 1 July 2021, Marafiq's exercised its right to acquire remaining 49% shareholding from SAUR. Marafiq and SAUR signed share purchase agreement and determined purchase consideration in accordance with the shareholder agreement. Consequently, Marafiq paid SR 44.6 million (net of SR 12.7 million received from MASA for dividends related to SAUR) as consideration for acquisition of 49% interest in MASA. As a result, SR 28.9 million was recognised as gain on acquisition of non-controlling interest in consolidated statement of changes in equity for the year ended 31 December 2021.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION (Continued)

Joint operating arrangement

As at 31 December 2021, the Group has a Joint Operating Arrangement in the following company:

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

Investment in associates

As at 31 December 2021, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.

- Jeddah Althaniya Operation and Maintenance Company ("JAOM"), owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet.

Investment in joint venture

As at 31 December 2021, the Group has following joint venture:

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

The Group's ownership percentage in the above companies is the same in all periods presented in these consolidated financial statements except for MASA which has been fully acquired during the year.

Economic environment and its effects on business

The development of coronavirus (COVID-19) pandemic and global recession due to falling demand have impacted the businesses in form of economic contraction. However, the Group management has proactively assessed its impacts on its operations and has taken a series of proactive and preventive measures, including activation of the crisis management committee and associated processes to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating, and
- minimizing the impact of the pandemic on its business and ensuring continuity of operations.

Notwithstanding these challenges, the Group business operations currently remain largely unaffected as the water and power utility industry in general is exempted from various constraints imposed by authorities. Based on these factors, the Group management believes that the COVID-19 pandemic has had no material effect on Group's reported financial results for the year ended 31 December 2021. Management continues to monitor the situation closely as the situation is still evolving.

Date of approval of consolidated financial statements

These consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (Marafiq) and its subsidiaries (the "Group" or "Marafiq") for the year ended 31 December 2021 were approved in accordance with a resolution of the Board of Directors on 13 Shaban 1443H corresponding to 16 March 2022G.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

These consolidated financial statements have been prepared on a historical cost basis except for the cash flow hedge of investees that is carried at fair value and obligation for post-employment defined benefits which is measured at projected unit credit method.

These consolidated financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

These financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2021. 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

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

The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

The Group accounts for its interest in the assets, liabilities, revenues and expenses relating to joint operation.

2.3 Summary of significant accounting policies

Following are the significant accounting policies applied by the Group in preparing its consolidated financial statements. These accounting policies have been consistently applied for all the periods presented.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

a) Investments in associates, joint venture and joint operation

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

The Group's investments in its associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the associates or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates or joint venture are eliminated to the extent of the interest in the associates or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in subsidiaries of the associates or joint venture.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and it's carrying value and recognizes the loss as 'Share of profit of equity accounted investees' in the consolidated income statement.

Upon loss of significant influence over the associates or joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of associate upon loss of significant influence and the fair value of retained investment and proceeds from disposal is recognized in profit or loss.

A joint operation is an arrangement in which the Group has joint control and has rights to assets and obligations for liabilities relating to the joint operation. The activities are undertaken by the Group in conjunction with other joint operators involved in the use of the assets and resources of the joint operators. In relation to its interest in a joint operation, the Group as a joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sales of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The materiality assessment for jointly controlled entities and associates is generally performed using the same methods as for subsidiaries, but is limited to the criteria of profit/loss for the year, contingent assets and liabilities, and other financial obligations.

b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

b) Current versus non-current classification (Continued)
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

c) Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 23.

d) Revenue recognition
Revenue from contracts with customers is recognized over time to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks. All Group's customers are based in the Kingdom of Saudi Arabia. The Group is engaged in providing utility services including water, power and sale of gas to various customers.

The specific recognition criteria described below must also be met before revenue is recognized.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

d) Revenue recognition (continued)

Utility services
The Group recognises revenue as the services are rendered over time as the customers simultaneously receive and consume the benefit. As per terms of the utility contracts with the customers, the Group invoices to customers per unit of output delivered to them. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and the Group recognizes revenue amount to which the Group has a right to invoice as the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. As per the utility user agreements (UUA), the amount of consideration is fixed per unit of output. No variable consideration, financing, non-cash consideration and consideration payable to customer is involved in the transaction price.

Unutilized booked capacity
Booked capacity revenue represents billing to customers if utility services usage is less than the agreed quantity (booked capacity) stipulated in the respective Utility User Agreement (UUA) with customers. Such revenues are invoiced and recognized in the period in which it becomes probable that the economic benefit will flow to the Group. The Parent Company is no longer entitled to claim such revenue for invoices issued after 2014 in accordance with Water and Electricity Regulatory Authority (WERA) directive.

Connection charges
Revenue in respect of connection charges, recovered from customers at the time of entering into an agreement, are recognized as deferred income and amortized over the expected life of customer relationship as follows:

Industrial customers	20 years
Non-industrial customers	5 years

Interest income
For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated income statement.

Dividends
Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other income
Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers is initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

e) Foreign currencies
The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

e) Foreign currencies (Continued)
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognized in OCI or income statement are also recognized in OCI or income statement, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations, if any, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the date of the transaction. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated income statement.

f) Property, plant and equipment
Property, plant and equipment except land and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Contributions by customers of items of property, plant and equipment, which require an obligation on the Group to either connect the customer to the network or to supply the customer with ongoing access to supply of power or water or both, are recognized at the fair value when the Group has control of the item. A corresponding credit to deferred revenue is made in current and non-current liabilities combined. Revenue and the related depreciation is subsequently recognized over the contractual period stipulated in the Utility User Agreement (UUA).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Land and capital work in progress are stated at cost less impairment losses, if any, and is not depreciated until the asset is available for use in the manner intended by management.

The Company exercises judgement in determining the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. The Company reviews the residual value and useful lives annually and future depreciation charges are adjusted where the Company believes the useful lives differ from previous estimates.

g) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Software licences
Intangibles mainly represent software license costs. A summary of the policies applied to the Group's intangible assets is as follows:

	Software licence
Useful lives	5 years
Amortization method used	Amortized on a straight-line basis over the useful life
Internally generated or acquired	Acquired

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

g) Intangible assets (Continued)
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

h) Leases
At inception of a contract, the Group assesses whether a 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 consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A. As a Lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liability for leases of low-value assets such as IT equipment and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a Lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an 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.

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 a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

i) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Financial instruments — initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments'.

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss - FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets
(i) Classification and subsequent measurement of financial assets
The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:
• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows. The Group initially measures the trade receivables at the transaction price as the trade receivables do not contain a significant financing component.

(ii) Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group's management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(iii) Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

j) Financial instruments — initial recognition and subsequent measurement (Continued)

Financial assets (Continued)

(iii) Impairment of financial assets (Continued)
The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 360 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables that result from contracts with the customers. The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the consolidated income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of reversal is recognized in the consolidated income statement.

(iv) Derecognition of financial assets
The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the consolidated statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
j) Financial instruments — initial recognition and subsequent measurement (Continued)
Financial liabilities

(i) Classification and subsequent measurement of financial liabilities
The group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:
• contingent consideration of an acquirer in a business combination,
• held-for-trading, or
• designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

(ii) Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

(iii) Interest rate benchmark reform
When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

(iv) Offsetting
Financial assets and liabilities are off-set and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Impairment of non-financial assets
Disclosures relating to impairment of non-financial assets are summarized in the following notes:

Accounting policy disclosures	Note 2.3
Disclosures for significant assumptions	Note 3
Property, plant and equipment	Note 6
Intangible assets	Note 7

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit ("CGU")'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

k) Impairment of non-financial assets (continued)
Impairment losses are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

The following specific criteria are also applied in assessing impairment of specific assets:
Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

l) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

Provision for slow-moving and obsolete inventories are made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

m) Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

n) Short-term deposits
Deposits of original maturity of greater than three months but less than one year are classified as short-term deposits under current assets.

o) Cash dividend and non-cash distribution to owners of equity
The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders in the Annual General Assembly. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated income statement.

p) Provisions
General
Provisions are recognized 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

p) Provisions (continued)

Restructuring provisions

Restructuring provisions are recognized only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed in the consolidated income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied, are added to or deducted from the cost of the asset.

q) Zakat and income tax

The Group is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") (formerly "General Authority of Zakat and Tax (GAZT)") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an estimated basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized. The Zakat charge in the consolidated income statement represents the Zakat for the Group. The Zakat charge and income tax, if any, assessable on the non-controlling shareholder, is included in non-controlling interest.

r) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized on all deductible temporary difference, carry forward of unused tax credits and unused tax losses only to the extent that it is probable that taxable profit will be available against which these assets can be utilized.

The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset/liability to be utilized. Unrecognized deferred income tax assets/liabilities are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is not recognized for:
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

s) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Weighted average number of ordinary shares as of 31 December 2021 and 31 December 2020 were 250,000,000 shares.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)
t) Employees' benefits

Short-term employee benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plan
The Group is operating unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurement gains and losses are recognized in full in the period in which they occur in consolidated statement of profit or loss and other comprehensive income.

Past service costs are recognized in consolidated income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue' and 'administrative expenses' in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Employee home ownership program
The Parent Company has established a home ownership program that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. Upon signing the sale contract with the eligible Saudi employees, the relevant housing units are classified under other non-current assets as due from employees at their present value. Down payments and instalments of purchase price received from employees are set off against the amounts due from employees classified under other non-current assets. The cost of the houses and the related purchase price is removed from other non-current assets when title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Group.

Employees' savings plan
The Parent Company administers an employees' savings plan (defined contribution plan) on behalf of its employees. Contributions from the participants are recorded as a liability and deposited in a separate bank account (refer note 14 and 19.2). Under the plan, an employee's contribution varies up to 15% of their basic pay at their discretion. Provision is made for the contributions made by the Parent Company which is 10% of the employee's contribution in the first year and ultimately increasing up to 100% in the tenth year.

u) Segment reporting
A business segment is a group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Parent Company's other components;
- the results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Chief Executive Officer of the Parent Company is considered to be the chief operating decision maker. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 5 to these consolidated financial statements.

(v) Expenses
All expenses other than financial charges are allocated on a consistent basis among cost of revenue and administrative and other expenses in accordance with allocation factors determined as appropriate by the Company's management.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

w) Cash flow hedge

The Group uses interest rate swaps (IRS) to hedge its risks associated with interest rates for JWAP. Such derivative financial instruments are initially recorded at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Transaction costs, if any, for obtaining the hedge are recognized in the consolidated statement of financial position as hedge upfront fee and amortized over the hedge period.

For the purpose of cash flow hedges the Group hedges the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

x) Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

As explained in Note 1, management, through the crisis management committee, has proactively assessed the potential impact of COVID-19 pandemic for any adverse effect on the supply chain, production capabilities, customer demand as well as distribution network that could cause a negative impact on the financial performance of the Group. Management has concluded that the critical accounting judgements, estimates and assumptions used in consolidated financial statements remain appropriate under the current circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

ii. Defined benefit plans (post-employment benefits)

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate**,** yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

ii. Defined benefit plans (post-employment benefits) (continued)
Age-wise "Low, Service based" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on the Group reinsurance mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in the Kingdom of Saudi Arabia in carrying out actuarial valuation of end of service benefits schemes. If any other mortality table is used it will not make any significant difference in the results. A further detail about post-employment benefit obligation is provided in Note 19.1.

iii. Impairment of non-financial assets
Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

iv. Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives 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. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

During the year ended 31 December 2021, the Parent Company reviewed the estimated useful lives of property, plant and equipment. Based on an independent technical assessment and advice from the Parent Company's technical team, the estimated useful lives of property, plant and equipment have been revised as follows:

	Up to 31 December 2020	**Effective 1 January 2021**
	Useful lives (in years)	
Plant and machinery	12.5 - 20	**25 - 30**
Buildings, wells and civil infrastructure	12.5 - 33.3	**10 - 40**
Meters, pipe networks and lift stations	12.5 - 20	**20 - 25**
Power lines, cables, meters and networks	14.3 - 33.3	**30 - 40**
Common external facilities	20	**20**
Other equipment	3 - 10	**3 - 25**

The effect of these changes on actual and expected depreciation expense, included in "cost of revenue" and "general and administrative expenses" is as follows:

In SR '000'	**2021**	**2022**	**2023**	**2024**	**2025**
Decrease in depreciation expense	**267,968**	**266,175**	**261,020**	**229,234**	**216,114**

v. Residual value of property, plant and equipment
The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

vi. Useful lives of intangibles
The Group shall review the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group shall change the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group shall change the amortization method to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

vii. Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. This estimation is performed on an individual line item basis and a provision for non-moving and obsolete inventory items applied according to the inventory type and the degree of ageing or obsolescence.

viii. Zakat and income tax
The Group is subject to Zakat and income tax in accordance with Zakat, Tax and Customs Authority (ZATCA) regulations. Zakat and income taxes are provided on an accrual basis. Zakat and income tax computation involves relevant knowledge and judgment of the Zakat and income tax rules and regulations to assess the impact of Zakat and income tax liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Group retains exposure to additional Zakat and income tax liability.

ix. Impairment of financial assets
The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 360 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

a) Measurement of ECLs
ECLs 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).

b) Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at Fair value through other comprehensive income ("FVOCI") are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows 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 being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties

c) Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

ix. Impairment of financial assets (continued)

d) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

x. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. A provision for onerous contracts is measured at the present value of the lower of expected cost of terminating the contract and expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

xi. Lease term and estimating the incremental borrowing rate

Extension and termination options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and also where such options held are exercisable only by the Group and not by the respective lessor. Options are not included in the lease liabilities where the leased assets could be replaced without significant cost or business disruptions.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

i. New and revised standards with no material effect on the consolidated financial statements

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2021; and
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021. The phase 2 amendments include practical expedients in respect of:
  - Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence, of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
  - Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

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4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

ii. Accounting standards issued but not yet effective
The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2021:

- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022;
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023;
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023; and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

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

5. OPERATING SEGMENTS

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

Segment information:
The Group is organized into business units based on six reportable segments as follows:

- Power, is split between electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Gas, includes sales gas distribution and retail sales of gas;
- JWAP, as explained in note 1;
- Tawreed, as explained in note 1; and
- Corporate and others, includes all other activities that are not directly linked to identifiable operating segments. This includes finance income/expense, other income/expense and share in results of equity accounted investees.

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

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5. OPERATING SEGMENTS

For the year ended 31 December 2021

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	1,576,258	2,330,664	66,300	-	2,219,065	-	-	6,192,287
Inter segment	-	508,540	-	330,791	358,063	5,894	(1,203,288)	-
Total revenue	1,576,258	2,839,204	66,300	330,791	2,577,128	5,894	(1,203,288)	6,192,287
Depreciation and amortisation	(389,135)	(589,275)	(3,414)	(2,145)	-	(5,145)	(171,765)	(1,160,879)
Others	(871,217)	(1,833,862)	(57,929)	(146,852)	(2,568,451)	-	1,351,581	(4,126,730)
Total cost of revenue	(1,260,352)	(2,423,137)	(61,343)	(148,997)	(2,568,451)	(5,145)	1,179,816	(5,287,609)
Reversal of impairment loss on trade receivables	1,444	429	-	-	-	-	-	1,873
Administrative and other expenses	(46,668)	(86,664)	(410)	(4,649)	(8,677)	(5,491)	15,817	(136,742)
Depreciation and amortisation	(2,552)	(5,640)	(62)	-	-	-	-	(8,254)
Total administrative and other expenses	(49,220)	(92,304)	(472)	(4,649)	(8,677)	(5,491)	15,817	(144,996)
Other income / expense and finance income, net	-	1,392	-	203	1,615	257,841	(5,284)	255,767
Finance cost	(70,748)	(90,139)	-	(72,068)	(1,503)	(4,531)	2,471	(236,518)
Share of results in equity accounted investees	-	-	-	-	-	849	-	849
Zakat and income tax expense	(63,456)	(24,243)	(275)	(7,672)	-	(21,304)	(49)	(116,999)
Net profit / (loss) for the year	133,926	211,202	4,210	97,608	112	228,113	(10,517)	664,654
Non-controlling interest (NCI)	-	32,655	-	-	-	-	-	32,655
As at 31 December 2021								
Total assets	8,752,713	10,805,604	163,196	2,409,735	481,912	3,248,055	(1,751,308)	24,109,907
Total liabilities	(3,295,429)	(5,778,607)	(19,168)	(1,806,009)	(479,976)	(5,469,937)	290,305	(16,558,821)

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5. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2020

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	1,487,542	2,326,161	40,078	-	2,237,783	-	-	6,091,564
Inter segment	-	498,842	-	339,030	357,734	14,445	(1,210,051)	-
Total revenue	1,487,542	2,825,003	40,078	339,030	2,595,517	14,445	(1,210,051)	6,091,564
Depreciation and amortisation	(522,862)	(626,470)	(3,584)	(2,138)	-	(9,430)	(170,351)	(1,334,835)
Others	(850,116)	(1,894,757)	(38,853)	(132,138)	(2,587,153)	-	1,374,557	(4,128,460)
Total cost of revenue	(1,372,978)	(2,521,227)	(42,437)	(134,276)	(2,587,153)	(9,430)	1,204,206	(5,463,295)
Impairment loss on trade receivables	-	-	-	-	-	(3,000)	-	(3,000)
Administrative and other expenses	(41,070)	(83,542)	(373)	(5,359)	(8,363)	(20,253)	17,736	(141,224)
Depreciation and amortisation	(1,575)	(3,974)	(26)	-	-	-	-	(5,575)
Total administrative and other expenses	(42,645)	(87,516)	(399)	(5,359)	(8,363)	(20,253)	17,736	(146,799)
Other income / expense and finance income, net	-	2,260	-	557	1,959	210,077	(6,368)	208,485
Finance cost	(93,246)	(118,568)	-	(90,539)	(1,635)	(4,544)	(6,364)	(314,896)
Zakat and income tax expense	(41,339)	(18,089)	(119)	(8,102)	-	(13,728)	(214)	(81,591)
Net profit / (loss) for the year	(62,666)	81,863	(2,877)	101,311	325	173,567	(1,055)	290,468
Non-controlling interest (NCI)	-	(23,543)	-	-	-	-	-	(23,543)
As at 31 December 2020								
Total assets	8,367,841	10,880,598	261,519	2,583,869	499,059	3,082,951	(1,564,030)	24,111,807
Total liabilities	(2,462,049)	(5,574,092)	(12,922)	(2,056,942)	(490,347)	(6,760,206)	232,137	(17,124,421)

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5. OPERATING SEGMENTS (Continued)

5.1 Marafiq is a fully integrated utility company, and historically, the power sector was reported as a single service line. Due to the recent developments in regulations, WERA has sub-categorized the power sector into generation, transmission and distribution for the purpose of their assessment of required revenue for each service line. Accordingly, these service lines are being reported separately, in-line with WERA's requirement as follows:

	For the year ended 31 December 2021				For the year ended 31 December 2020			
	Power Generation	**Power Transmission**	**Power Distribution**	**Total**	Power Generation	Power Transmission	Power Distribution	Total
External customers	**-**	**-**	**1,576,258**	**1,576,258**	-	-	1,483,583	1,483,583
Total revenue	**-**	**-**	**1,576,258**	**1,576,258**	-	-	1,483,583	1,483,583
Depreciation and amortisation	**(290,798)**	**(47,176)**	**(51,161)**	**(389,135)**	(426,189)	(49,031)	(47,642)	(522,862)
Others	**(734,746)**	**(95,876)**	**(40,595)**	**(871,217)**	(697,776)	(45,777)	(106,563)	(850,116)
Total cost of revenue	**(1,025,544)**	**(143,052)**	**(91,756)**	**(1,260,352)**	(1,123,965)	(94,808)	(154,205)	(1,372,978)
Reversal of impairment loss on trade receivables	**1,276**	**108**	**60**	**1,444**	-	-	-	-
Administrative and other expenses	**(38,935)**	**(4,921)**	**(2,812)**	**(46,668)**	(33,989)	(2,638)	(4,443)	(41,070)
Depreciation and amortisation	**(1,869)**	**(431)**	**(252)**	**(2,552)**	(1,168)	(149)	(258)	(1,575)
Total administrative and other expenses	**(40,804)**	**(5,352)**	**(3,064)**	**(49,220)**	(35,157)	(2,787)	(4,702)	(42,645)
Finance cost	**(62,855)**	**(5,076)**	**(2,817)**	**(70,748)**	(81,842)	(4,425)	(6,979)	(93,246)
Zakat and income tax expense	**(605)**	**(83)**	**(62,768)**	**(63,456)**	(388)	(101)	(40,850)	(41,339)
Net profit / (loss) for the year	**(1,128,533)**	**(153,454)**	**1,415,913**	**133,926**	(1,241,353)	(102,121)	1,276,848	(66,625)

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work – in-progress (Note 6.2)	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2020	411,511	17,303,790	3,273,802	4,066,086	2,795,994	90,369	586,275	1,734,297	30,262,124
Additions	-	12,157	55,449	503,907	113,109	-	26,439	577,540	1,288,601
Disposals	-	(31,599)	-	-	-	-	(18,809)	-	(50,408)
Transfers (Note 6.4)	-	302,824	372,889	42,341	220,130	-	106,417	(1,029,949)	14,652
Balance at 31 December 2020	411,511	17,587,172	3,702,140	4,612,334	3,129,233	90,369	700,322	1,281,888	31,514,969
Additions	**-**	**9,558**	**80,198**	**118,318**	**357,900**	**-**	**75,911**	**712,667**	**1,354,552**
Disposals	**-**	**(32,854)**	**(6,298)**	**-**	**-**	**-**	**(2,797)**	**-**	**(41,949)**
Transfers (Note 6.4)	**-**	**231,517**	**40,869**	**4,889**	**32,760**	**-**	**47,858**	**(390,756)**	**(32,863)**
Balance at 31 December 2021	**411,511**	**17,795,393**	**3,816,909**	**4,735,541**	**3,519,893**	**90,369**	**821,294**	**1,603,799**	**32,794,709**
Accumulated depreciation									
Balance at 1 January 2020	17,500	5,928,882	1,277,471	1,555,821	751,361	39,070	413,219	-	9,983,324
Depreciation (Note 26.1)	16,613	830,204	108,510	193,803	125,266	5,008	56,463	-	1,335,867
Disposals	-	(31,599)	-	-	-	-	(18,809)	-	(50,408)
Balance at 31 December 2020	34,113	6,727,487	1,385,981	1,749,624	876,627	44,078	450,873	-	11,268,783
Depreciation (Note 26.1)	**15,165**	**620,335**	**98,704**	**229,584**	**109,558**	**4,504**	**62,822**	**-**	**1,140,672**
Disposals	**-**	**(21,558)**	**(2,481)**	**-**	**-**	**-**	**(2,797)**	**-**	**(26,836)**
Balance at 31 December 2021	**49,278**	**7,326,264**	**1,482,204**	**1,979,208**	**986,185**	**48,582**	**510,898**	**-**	**12,382,619**
Carrying value:									
Balance at 31 December 2021	**362,233**	**10,469,129**	**2,334,705**	**2,756,333**	**2,533,708**	**41,787**	**310,396**	**1,603,799**	**20,412,090**
Balance at 31 December 2020	377,398	10,859,685	2,316,159	2,862,710	2,252,606	46,291	249,449	1,281,888	20,246,186

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Leased assets

The carrying value of right-of-use assets was SR 3,589 million as of 31 December 2021 (31 December 2020: SR 3,835 million) which includes land leased by JWAP from Tawreed for a period of 23 years. Additions include assets valued SR 563.8 million for the year ended 31 December 2021 (31 December 2020: SR 243.5 million) transferred from Royal Commission for Jubail and Yanbu and SR 4.2 million additions to right-of-use assets. (31 December 2020: SR 532 million).

6.2 Capital work-in-progress

Capital work-in-progress mainly represents costs incurred on new projects for installation of plant and machinery, civil infrastructure and equipment for various facilities of the Group.

6.3 Assets under charge

Property, plant and equipment with a carrying amount of SR 4,805 million (31 December 2020: SR 5,032 million) are subject to a first charge and second charge to secure SIDF loans (refer to Note 18).

6.4 Transfers

Assets amounting to SR 32.9 million were also transferred to intangible assets (31 December 2020: SR 0.8 million transfer to intangible assets and SR 15.5 million transferred from inventories).

7. INTANGIBLE ASSETS

	2021	2020
	SR '000	SR '000
Cost		
Opening balance	**189,056**	188,113
Additions	**9**	106
Transfers from capital work in progress (Note 6.4)	**32,863**	837
Disposals	**(88,985)**	-
Closing balance	**132,943**	189,056
Accumulated amortization		
Opening balance	**183,848**	179,305
Amortization	**28,461**	4,543
Disposals	**(88,985)**	-
Closing balance	**123,324**	183,848
Carrying value		
At 31 December	**9,619**	5,208

8. GROUP INFORMATION

8.1 Subsidiaries

(i) One of the subsidiaries, TAWREED, entered into twenty years Power and Water Purchase Agreement (PWPA) with Jubail Water and Power Company (JWAP) for JWAP to construct, own, operate and transfer an Independent Water and Power Plant (IWPP). As per the PWPA, JWAP agreed to sell the entire power and water capacity and output of the IWPP only to TAWREED as per the rates stipulated in the PWPA.

(ii) TAWREED has entered into a back-to-back On-Sale Agreement (the "On-Sale Agreement") with Saudi Electric Company (SEC), Saline Water Conversion Corporation (SWCC) and Marafiq (the three jointly known as the "On-Sale Parties") for a similar term of twenty years to sell the entire power and water purchased from JWAP. Based on the terms of the On-Sale Agreement, all costs incurred by TAWREED, such as the cost of power and water capacity and water output, fuel cost, overheads and development costs, etc., are to be repaid by the On-Sale Parties without any mark up.

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8. GROUP INFORMATION (Continued)

8.1 Subsidiaries (Continued)

(iii) Financial information of MASA for which non-controlling interest has been acquired during the year before intra-group eliminations is provided below:

Summarized statement of financial position

	2021	2020
	SR '000	SR '000
Current assets	**324,966**	254,591
Non-current assets	**37,892**	52,797
Current liabilities	**184,840**	151,143
Non-current liabilities	**47,397**	46,626
Equity	**130,622**	109,619

Summarized statement of profit or loss and other comprehensive income

	2021	2020
	SR '000	SR '000
Revenue	**508,540**	532,563
Profit before Zakat and income tax	**66,805**	58,972
Zakat	**(2,114)**	(912)
Income tax	**(9,346)**	(6,736)
Profit for the year	**55,345**	51,324
Other comprehensive loss	**(3,996)**	(2,548)
Total comprehensive income	**51,349**	48,776
Attributable to non-controlling interest (NCI)	**32,655**	23,543
Dividends paid / declared to NCI	**(12,735)**	(9,722)

Summarized statement of cashflows

	2021	2020
	SR '000	SR '000
Cash flows from operating activities	**65,116**	157,860
Cash flows used in investing activities	**(3,859)**	(2,032)
Cash flows used in financing activities	**(7,782)**	(30,886)
Net increase in cash and cash equivalents	**53,475**	124,942

8.2 Joint operation

Key financial highlights of Jubail Water and Power Company which has been accounted for as Joint Operation are provided below:

Summarized statement of financial position

	2021	2020
	SR '000	SR '000
Current assets	**1,023,645**	986,144
Non-current assets	**7,008,804**	7,626,752
Current liabilities	**881,302**	850,496
Non-current liabilities	**5,138,729**	6,005,977
Equity	**2,012,419**	1,756,423

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8. GROUP INFORMATION (Continued)

8.2 Joint operation (Continued)

Summarized statement of profit or loss and other comprehensive income

	2021	2020
	SR '000	SR '000
Revenue	**1,102,637**	**1,130,098**
Profit before zakat	**350,934**	**364,708**
Zakat and income tax	**(25,573)**	**(27,008)**
Profit for the year	**325,361**	**337,700**
Other comprehensive income / (loss)	**267,874**	**(198,604)**
Total comprehensive income	**593,235**	**139,096**

8.3 Equity accounted investees
As at 31 December 2021, the Group has following equity accounted investees:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by the Parent Company, is registered in Kingdom of Saudi Arabia with the principal activity to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu. As at 31 December 2021, the investment was carried at nil (31 December 2020: SR 0.04 million) using equity accounting method.
- Jeddah Althaniya Water Company, owned 45% by the Parent Company, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet. As at 31 December 2021, the investment was carried at SR 11.6 million (31 December 2020: SR 0.23 million) using equity accounting method.
- Jeddah Althaniya Operation and Maintenance Company, owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet. As at 31 December 2021, the investment was carried at SR 0.15 million (31 December 2020: 0.15 million) using equity accounting method.

9. LONG TERM RECEIVABLES AND PREPAYMENTS

	2021	2020
	SR '000	SR '000
Due from employees under home ownership program (Note 9.1)	**234,580**	273,106
Deferred employee benefit (Note 9.1)	**23,687**	30,169
Deferred cost (Note 9.2)	**14,151**	19,025
	272,418	322,300

9.1 Due from employees under home ownership program
The Parent Company has established an employee home ownership program (HOP) that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. The cost of land and construction costs of the housing units are repayable by employees over a period up to twenty years. The ownership of the housing units is transferred to employees upon full payment of the amounts due. This amount, recorded at amortized cost, represents the cost of housing units sold to the employees under employee home ownership program.

The Group does not expect any impairment losses against this balance given the historical default experience together with the underlying value of the residential units and that the amounts due are deductible from monthly salaries of employees. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for due from employee home ownership program.

The Parent Company discounts the carrying amount of due from employees under home ownership program using effective interest method and recognizes deferred employee benefit asset which is being amortized on straight line over average duration of home ownership scheme to the consolidated income statement.

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9. LONG TERM RECEIVABLES AND PREPAYMENTS (Continued)

9.2 Deferred cost

Deferred cost relates to Parent Company's proportionate share in JWAP for costs incurred in accordance with the operation and maintenance (O&M) agreement. These are amortised over the term of O&M agreement starting from the commencement of commercial operations of JWAP.

10. INVENTORIES

	2021	2020
	SR '000	SR '000
Spare parts	**365,820**	427,544
Fuel oil	**40,665**	43,262
Others	**11,650**	11,028
	418,135	481,834
Less: Provision for slow-moving and obsolete inventories	**(144,596)**	(169,300)
	273,539	312,534

The movements in the provision for slow-moving and obsolete inventories is:

	2021	2020
	SR '000	SR '000
Opening balance	**169,300**	157,768
Provision written-off during the year	**(49,865)**	-
Provision during the year	**25,161**	11,532
Closing balance	**144,596**	169,300

11. TRADE RECEIVABLES

	2021	2020
	SR '000	SR '000
Trade receivables – related parties (Note 30.2)	**479,871**	500,952
Trade receivables – others	**377,107**	430,530
	856,978	931,482
Provision for impairment	**(22,882)**	(24,717)
	834,096	906,765

For terms and conditions relating to trade receivables from related party receivables, refer to Note 30.

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

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11. TRADE RECEIVABLES (Continued)

The movement in allowance for impairment in respect of trade receivables during the year is:

	2021	2020
	SR '000	SR '000
Opening balance	**24,717**	23,465
(Reversal) / charge for the year	**(1,873)**	3,000
Reversal / (write off) during the year	**38**	(1,748)
Closing balance	**22,882**	24,717

As at year end, the ageing analysis of trade receivables is as follows:

	Total	**Up to 6 months**	**6 to 12 months**	**More than 12 months**
ECL percentage 2021		**1.48%**	**6.72%**	**23.09%**
ECL percentage 2020		1.98%	3.19%	5.19%
Gross balance (SR in '000)				
2021	**856,978**	**780,708**	**41,352**	**34,918**
2020	931,482	704,171	52,759	174,552

See Note 23 on credit risk of trade receivables, which discusses how the Group manages and measures credit risk of trade receivables that are neither past due nor impaired.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	2021	2020
	SR '000	SR '000
Accrued revenue	**224,307**	220,168
Advances and other receivables	**76,179**	151,509
Prepayments and others	**70,426**	50,978
SEC margin (Note 12.1)	**10,422**	58,351
Accrued finance income	**2,821**	1,267
	384,155	482,273

12.1 SEC margin represents compensation receivable by the Parent Company for the power produced by JWAP. Refer note 27.1.

13. SHORT-TERM DEPOSITS

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

14. CASH AND CASH EQUIVALENTS

	2021	2020
	SR '000	SR '000
Cash in hand	**6**	6
Cash at bank	**482,648**	209,709
Short term deposits	**-**	385,100
Cash and cash equivalents	**482,654**	594,815

Cash and cash equivalents include cash and bank balances and demand deposits with original maturities of three months or less.

Short-term deposits earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Bank balances at 31 December 2021 include SR 32.14 million (31 December 2020: SR 21.07 million) representing employees' contributions and finance income pertaining to the employees' saving plan.

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15. SHARE CAPITAL AND RESERVES

	2021	2020
	SR '000	SR '000
Authorized and issued shares		
Ordinary shares of SR 10 each – Number	**250,000**	250,000
Ordinary shares issued and fully paid – SR 000	**2,500,000**	2,500,000

15.1 Statutory reserve

In accordance with By-laws of the Parent Company, the Parent Company must set aside a statutory reserve by the appropriation of 4% of net profit until the reserve equals 20% of the share capital. This reserve is not available for distribution to the shareholders.

16. DIVIDENDS

	2021	2020
	SR '000	SR '000
Dividends to shareholders of the Parent Company	**175,000**	125,000
Weighted average number of ordinary shares outstanding during the year	**250,000**	250,000
Dividend per share – SR	**0.7**	0.5

In ordinary general assembly meeting held on 17 June 2021, the shareholders of the Parent Company approved to distribute dividends amounting to SR 140.6 million (31 December 2020: SR 107.6 million) which was paid after deduction of respective share of Zakat of each shareholder.

17. EARNINGS PER SHARE

Basic earnings per share for profit and loss attributable to ordinary shares holders for the year ended 31 December are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue

	2021	2020
	SR '000	SR '000
Profit attributable to ordinary shareholders – SR	**631,999**	266,925
Weighted average number of ordinary shares outstanding during the year	**250,000**	250,000
Basic and dilutive earnings per share – SR	**2.53**	1.07

18. BANK LOANS AND BORROWINGS

	2021	2020
	SR '000	SR '000
MARAFIQ		
Fourth Murabaha	**1,500,000**	1,500,000
Fifth Murabaha	**1,500,000**	1,500,000
Sixth Murabaha	**3,400,000**	3,400,000
SIDF	**990,000**	1,308,000
	7,390,000	7,708,000
Less: Unamortised transaction costs	**(75,154)**	(102,603)
	7,314,846	7,605,397
JWAP		
Shariah compliant and other long-term loans (Note 18.2)	**1,682,466**	1,849,047
Less: Unamortised transaction costs	**(18,281)**	(21,618)
	1,664,185	1,827,429
	8,979,031	9,432,826

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18. BANK LOANS AND BORROWINGS (Continued)

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

	2021	2020
	SR '000	SR '000
Current maturity under current liabilities	**361,066**	456,657
Non-current maturity under non-current liabilities	**8,617,965**	8,976,169
	8,979,031	9,432,826

Movement in bank loans and borrowings is as follows:

	2021	2020
	SR '000	SR '000
Opening balance	**9,557,047**	9,713,391
Repayments	**(484,581)**	(156,344)
	9,072,466	9,557,047
Less: Unamortized transaction costs	**(93,435)**	(124,221)
Closing balance	**8,979,031**	9,432,826

Movement in unamortized transaction cost is as follows:

	2021	2020
	SR '000	SR '000
Opening balance	**124,221**	159,032
Amortization	**(30,786)**	(34,811)
Closing balance	**93,435**	124,221

18.1 *MARAFIQ*

Murabaha
During 2019, the Parent Company entered into three new loan agreements with three banks to restructure its Murabaha facilities with new loans having extended tenor. The new loans have aggregate amount of SR 6.4 billion (SR 1.5 billion, SR 1.5 billion and SR 3.4 billion) which was fully utilized as at 31 December 2021.

The Parent Company's payment obligations under the Murabaha Facility Documents rank pari passu with the claims of all its other unsecured creditors, except for obligations mandatorily preferred by law. The loan agreements include certain financial covenants including debt to tangible net worth and debt service coverage, to be maintained by the Parent Company during the term of the loans and at the year-end. The Parent Company complied with such covenants. The loans carry finance charges at Saudi Inter Bank Offered Rate (SIBOR) plus a margin.

Saudi Industrial Development Fund (SIDF)
The loan agreements entered into with SIDF on 26 May 2016 provided for two loans with an aggregate amount of SR 1.56 billion to finance the construction of Parent Company's production facilities. The Parent Company drawn full amount as at 31 December 2018. Up-front fees and annual administrative expenses are charged by SIDF under the loan agreement. The loans are payable in seventeen unequal semi-annual instalments which commenced in January 2018 and maturing in 2025.

The above loans are secured by a mortgage on certain assets of the Parent Company. The covenants of the borrowing facility with SIDF require the Parent Company to maintain certain level of financial conditions, limiting the annual dividends distribution and annual capital expenditures above certain limits.

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18. BANK LOANS AND BORROWINGS (Continued)

18.2 *JWAP*

	2021 SR '000	2020 SR '000
International (Note a)	**1,114,631**	1,196,997
Islamic (Note b)	**438,254**	470,640
KEIC covered (Note c)	**129,581**	181,410
	1,682,466	1,849,047

a) JWAP obtained international term facility of SR 5,895 million (including standby facility of SR 172 million) from international facility lenders with respect to financing of a portion of the project. Repayments terms require unequal semi-annual instalments starting from 30 September 2010 and ending on 31 March 2029. These facilities carry interest rates at London Inter Bank Offer Rate (USD LIBOR) plus a margin.

b) The Islamic loan is structured in a manner whereby the Islamic lenders purchased certain assets of JWAP and leased the assets to JWAP on 30 September 2010 for 20 years lease term. The cost of the lease is set by reference to USD LIBOR plus a margin and is repayable in semi-annual instalments.

c) JWAP obtained KEIC covered loan facility of SR 2,419 million from facility lenders with respect to financing of a portion of the project. Repayment terms require equal semi-annual instalments as a percentage of loan from 30 September 2010 and ending on 31 March 2024. The facility carries interest rate at London Inter Bank Offer Rate (USD LIBOR) plus a margin.

JWAP and the arrangers have signed a Common Terms Agreement ("CTA"). Under the CTA, the lenders share in security granted by JWAP. This security includes charges over the JWAP'S assets (including plant and bank accounts) and the key project contracts. The CTA also includes certain covenants requiring JWAP to maintain certain financial ratios and restricting additional indebtedness and distributions to JWAP's shareholders.

The aggregate maturities of the loans are summarised as follows:

	2021 SR '000	2020 SR '000
2021	-	484,582
2022	**382,282**	382,282
2023	**426,426**	426,426
2024	**471,117**	471,117
2025	**1,150,939**	1,150,939
2026 and above	**6,641,702**	6,641,701
	9,072,466	9,557,047

19. OTHER NON-CURRENT LIABILITIES

	2021 SR '000	2020 SR '000
Obligation for assets transferred (Note 30.4)	**1,362,717**	799,415
Obligation for post-employment defined benefits (Note 19.1)	**646,982**	592,457
Deferred income	**620,712**	671,981
Employees' savings plan (Note 19.2)	**51,628**	43,603
Fair value of derivatives	**50,026**	132,722
Retention payables	**13,925**	99,884
Others	**6,642**	6,531
	2,752,632	2,346,593

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19. OTHER NON-CURRENT LIABILITIES (Continued)

19.1 Post-employment defined benefit plan

The Group has post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The Group and its subsidiaries recognise the benefits in the consolidated income statement. The benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in consolidated income statement and amounts recognized in the consolidated statement of financial position.

Movement in the present value of defined benefit obligation

	2021	2020
	SR '000	SR '000
Defined benefit obligation at 1 January	**592,457**	579,969
Interest cost	**24,673**	20,960
Current service cost	**54,404**	66,938
Net benefit expense recognized in consolidated income statement	**79,077**	87,898
Re-measurement (gain) / loss recognized in other comprehensive income	**(5,925)**	4,739
Benefits paid	**(18,627)**	(80,149)
Defined benefit obligation at 31 December	**646,982**	592,457

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	2021	2020
Discount rate	**2.3% to 3.1%**	2.3% to 3.4%
Future salary increases	**1.7% to 3.5%**	1.7% to 3.8%
Normal retirement age	**60 years**	60 years
Withdrawal rate	**Low, Service**	Low, Flat Rate

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December 2021 and 31 December 2020 is shown below:

Assumption	**Discount rate**	
Sensitivity Level	**1% increase**	**1% decrease**
	SR '000	**SR '000**
Defined benefit obligation as at 31 December 2021	**540,797**	**683,551**
Defined benefit obligation as at 31 December 2020	498,158	633,048

Assumption	**Future salary increases**	
Sensitivity Level	**1% increase**	**1% decrease**
	SR 000	**SR 000**
Defined benefit obligation as at 31 December 2021	**685,654**	**537,889**
Defined benefit obligation as at 31 December 2020	635,002	495,504

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The Group expects to pay SR 23.3 million in contributions to its defined benefit plans in 2022.

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19. OTHER NON-CURRENT LIABILITIES (Continued)

19.2 Employees' savings plan

	2021	2020
	SR '000	SR '000
Opening balance	**43,603**	42,412
Additions	**14,387**	7,317
Payments	**(6,362)**	(6,126)
Closing balance	**51,628**	43,603

20. TRADE PAYABLES

	2021	2020
	SR '000	SR '000
Trade payables	**222,233**	284,509
Retention payable	**211,883**	104,743
Due to related parties (Note 30.3)	**140,913**	159,116
Due to contractors	**37,298**	36,325
	612,327	584,693

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021	2020
	SR '000	SR '000
Inventory accruals	**184,676**	146,144
Accrued expenses and other payables – related parties (Note 30.3)	**182,155**	173,957
Operation and maintenance accrued expenses	**169,926**	170,217
Deferred income	**56,567**	54,430
Fair value of derivatives	**36,474**	38,966
Provision for Zakat and income tax (Note 22)	**41,636**	38,127
Accrued finance charges	**23,780**	13,881
Accrued expenses and other payables – others	**160,796**	221,758
	856,010	857,480

22. ZAKAT AND INCOME TAX

Zakat and income tax charge for the year represents the accumulated amount of the Zakat and income tax provision made by the Parent Company and its subsidiaries.

During the year ended 31 December 2017, Royal Decree No. 131 was issued whereby the scope of taxable persons has been expanded to include Kingdom resident capital companies with respect to shares owned directly or indirectly by persons engaged in the production of oil and hydrocarbons. This amendment has resulted in a change in tax profile of companies having shares owned, whether directly or indirectly, by Saudi Arabian oil & hydrocarbon producing companies that were previously subject to Zakat.

Due to SAPCO's (a shareholder of the Parent Company) connection with Saudi Aramco, the Parent Company and its investees are subject to income tax to the extent of SAPCO's shareholding in the Parent Company.

Amounts recognized in consolidated income statement

	2021	2020
	SR '000	SR '000
Zakat		
- Charge for the year	**39,856**	35,250
- Prior year charge	**5,577**	-
Income tax		
- Current tax charge	**11,419**	14,871
- Prior tax charge	**598**	-
- Deferred tax charge	**59,549**	31,470
	116,999	81,591

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22. ZAKAT AND INCOME TAX (Continued)

Amounts recognized in consolidated statement of profit or loss and other comprehensive income

	2021	2020
	SR '000	SR '000
Deferred tax related to re-measurement (gain) / loss on defined benefit obligation	**(182)**	35
Deferred tax related to cash flow hedge on investees	**(5,488)**	3,496
	(5,670)	3,531

The principal elements of the Zakat base of the Parent Company are as follows:

	2021	2020
	SR '000	SR '000
Non-current assets	**19,891,267**	19,425,407
Non-current liabilities	**12,778,970**	12,663,156
Opening shareholder equity	**7,669,486**	7,549,124
Net income before Zakat and tax	**771,545**	356,689
Spare parts	**308,696**	374,879
Dividends paid, net of Zakat	**140,605**	117,331

Some of the above amounts have been adjusted in arriving at approximate Zakat base and the Zakat charge for the year.

(i) Movement in Zakat and income tax provision

	2021	2020
	SR '000	SR '000
As at 1 January	**38,127**	21,940
Provision for Zakat and income tax	**51,275**	50,121
Prior year charge	**6,175**	-
Payment of Zakat and income tax	**(53,941)**	(33,934)
As at 31 December	**41,636**	38,127

Due to the tax losses incurred during the year ended 31 December 2021, no income tax has been charged in the Parent Company's financial statements (31 December 2020: Nil).

The income tax charge for the year ended 31 December 2021 of SR 6.1 million (31 December 2020: SR 5.4 million) for the non-controlling interest has been included as part of the non-controlling interest.

(ii) Deferred tax liabilities

	2021	2020
	SR '000	SR '000
Balance at 1 January	**69,697**	36,271
Charge for the year	**56,746**	33,426
Balance at 31 December	**126,443**	69,697

Deferred tax liabilities mainly relate to taxable temporary differences arising on property, plant and equipment.

(iii) Deferred tax assets

	2021	2020
	SR '000	SR '000
Balance at 1 January	**15,017**	9,566
(Charge) / credit for the year	**(7,587)**	5,451
Balance at 31 December	**7,430**	15,017

Deferred tax assets mainly relate to certain provisions that are not considered as deductible tax expense and unused tax losses of the Parent Company. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

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22. ZAKAT AND INCOME TAX (Continued)

(iv) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)
During 2021, Zakat, Tax and Customs Authority (ZATCA) has issued assessments for the years 2015 to 2017 raising additional Zakat demand of SR 99.8 million. Marafiq has filed appeal against 2015, 2016 & 2017 assessments within the due date. The ZATCA issued its revised assessment rejecting Marafiq's contention in appeal. Marafiq has filed an appeal against ZATCA's revised assessment to General Secretariat of Tax Committees (GSTC) and GSTC's review is awaited. Income tax and Zakat return for the year ended 31 December 2020 has been submitted within the statutory deadline.

Marafiq Water and Power Supply Company (TAWREED)
Zakat and income tax assessment have been finalised up to 2014. ZATCA has issued an assessment for the year 2015 on 28 April 2021 raising additional Zakat demand of SR 1.4 million. Tawreed has filed an appeal against 2015 assessment within the due date. During August 2021, the ZATCA issued its revised assessment rejecting Tawreed's contention in appeal. Tawreed has filed an appeal against ZATCA's revised assessment to GSTC and GSTC's review is awaited.

During 2021, the ZATCA has issued a final assessment for the years 2016 with an additional zakat liability of SR 0.8 million. Tawreed has filed an appeal against 2016 assessment within the due date. During January 2022, the ZATCA issued its revised assessment rejecting Tawreed's contention in appeal. Tawreed has filed an appeal against ZATCA's revised assessment to GSTC and GSTC's review is awaited.

The ZATCA has raised certain additional queries for the years 2018 through 2020 which have been responded by Tawreed and ZATCA's review is awaited. Income tax and Zakat return for the year ended 31 December 2020 has been submitted within the statutory deadline.

Jubail Water and Power Company (JWAP)
Zakat and income tax assessment from the year 2007 through 2012 have been finalized. The income tax and Zakat returns for the years 2013 through 2020 have been submitted with the ZATCA and ZATCA's review is awaited. During 2021, the ZATCA issued an assessments for the year 2018 with additional tax, Zakat and withholding tax liability of SR 0.09 million, SR 160 million and SR 0.3 million respectively. JWAP has filed an appeal against ZATCA's assessments to GSTC and GSTC's review is awaited. Income tax and Zakat return for the year ended 31 December 2020 have been submitted within the statutory deadline.

Marafiq SAUR Operation and Maintenance Company (MASA)
The Zakat and income tax assessment for the years since inception through 2020 are under review by the ZATCA. Income tax and Zakat return for the year ended 31 December 2020 have been submitted within the statutory deadline.

(v) On 15 February 2019, Transfer Pricing By-Laws ("TP By-Laws") were enacted as part of tax law and became binding on taxpayers for periods ending on or after 31 December 2018. TP By-Laws require additional disclosure form of controlled transactions along with annual tax returns to be submitted to ZATCA, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. The Company has submitted disclosure forms and affidavits for the year ended 31 December 2020 within the statutory time limit.

(vi) Reconciliation of accounting profit to income tax charge

	2021	2020
	SR '000	SR '000
Profit before Zakat and income tax	**781,653**	372,059
Tax at 20%	**167,715**	74,412
Effect of profit subject to Zakat	**(120,354)**	(44,016)
Effect of permanent differences	**9,663**	10,355
Impact of deferred tax due to change in shareholding in MASA	**4,031**	-
Others	**9,966**	5,590
Income tax charge for the year	**71,566**	46,341

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23. FINANCIAL INSTRUMENTS

23.1 Financial assets

	2021 SR '000	2020 SR '000
Trade receivables (Note 11)	**856,978**	931,482
Other receivables	**270,257**	385,525
Due from employee home ownership program (Note 9)	**234,580**	273,106
Short term deposits	**1,422,200**	1,226,300
Cash and cash equivalents (Note 14)	**482,654**	594,815
Total financial assets not measured at fair value	**3,266,669**	3,411,228

23.2 Financial liabilities

	2021 SR '000	2020 SR '000
Loans and borrowings (Note 23.2.1)	**9,072,465**	9,557,047
Lease liabilities (Note 31)	**3,232,378**	3,833,132
Other non-current liabilities	**1,435,005**	949,433
Trade payables (Note 20)	**612,327**	584,693
Accrued expense and other payables	**707,551**	725,957
Total financial liabilities not measured at fair value	**15,059,726**	15,650,262

23.2.1 Bank loans and borrowings (Note 18)

	Interest rate %	Maturity	2021 SR '000	2020 SR '000
Marafiq				
Fourth Murabaha	SIBOR + margin	2034	**1,500,000**	1,500,000
Fifth Murabaha	SIBOR + margin	2034	**1,500,000**	1,500,000
Sixth Murabaha	SIBOR + margin	2034	**3,400,000**	3,400,000
SIDF	-	2025	**990,000**	1,308,000
JWAP				
International loans	USD LIBOR + margin	2029	**1,114,631**	1,196,997
KEIC covered loans	USD LIBOR + margin	2024	**129,581**	181,410
Islamic loans	USD LIBOR + margin	2029	**438,254**	470,640
			9,072,466	9,557,047

23.3 Measurement of fair values

Fair value hedge

The Group's financial assets and financial liabilities are measured at amortized cost except for the cash flow hedge in JWAP that is carried at fair value on a recurring basis.

The Group has not disclosed the fair value for financial instruments such as short-term trade and other receivables, trade and other payables and cash and bank balances, as their carrying amounts are a reasonable approximation of fair values largely because of short-term maturity of these instruments. The fair value of Murabaha, SIDF and other loans facilities is approximately the same as their carrying value.

As at 31 December 2021, JWAP held Interest Rate Swaps ("IRS") of a notional value of SR 2.9 billion (31 December 2020: SR 2.4 billion), in order to reduce its exposure to interest rate risks against long-term financing. The table below shows the fair values of derivative financial instruments, recorded as liabilities, together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

	31 December 2021		31 December 2020	
	Liabilities SR '000	***Notional amount SR '000***	*Liabilities SR '000*	*Notional amount SR '000*
Cash flow hedges				
Interest rate swaps	**86,500**	**2,280,000**	171,689	2,436,345

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23. FINANCIAL INSTRUMENTS (Continued)

23.3 Measurement of fair values (Continued)

Fair value hedge (Continued)
Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

Fair values of cash flows hedge of SR 36.5 million and SR 50 million (31 December 2020: SR 38.97 million and SR 132.7 million respectively) represents the current and non-current portion of the negative mark to market values of the interest rate swaps as of 31 December 2021. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in the consolidated income statement when the hedged transaction impacts the income or loss. Under the finance agreements, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the IRS are recognised in the consolidated income statement.

Fair value hierarchy of financial instruments

	Fair value			
31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Share of cash flow hedge reserve of investees	**-**	**(71,304)**	**-**	**(71,304)**

	Fair value			
31 December 2020	Level 1	Level 2	Level 3	Total fair value
Share of cash flow hedge reserve of investees	-	(162,146)	-	(162,146)

Derivative assets and liabilities designated as cash flow hedges
The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

		Expected cash flows			
	Carrying amount	***Total***	***12 months or less***	***More than one year***	***More than five years***
31 December 2021					
Interest rate swaps					
Liabilities	**86,500**	**11,965**	**8,214**	**7,182**	**(3,431)**
31 December 2020					
Interest rate swaps					
Liabilities	171,689	43,584	21,673	27,219	(5,308)

23.4 Financial instruments risk management objectives and policies
The Group's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables that arrive directly from its operations. The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Fair value measurement
For information about the methods and assumptions used in determining the fair value of derivatives refer to note 23.3. For other financial assets and financial liabilities of the Group, their fair value approximates the carrying value, unless specifically disclosed in the relevant note.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and certain other financial instruments.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Cash flow and Interest rate risk

Following table contains details of all financial instruments of the Company which are based on USD LIBOR as at 31 December 2021 and are currently in process of transitioning to an alternative benchmark:

	2021
	SR '000
Carrying amount of non-derivative financial liabilities exposed to IBOR	**1,654,890**
Carrying amount of derivative financial liabilities exposed to IBOR	**86,500**
Notional amount of hedges linked to IBOR (excluding for the deals with forward start dates (beyond year-end date)	**1,648,812**

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the LIBOR, announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at the reporting date was indexed to USD LIBOR. The alternative reference rate for US dollar LIBOR it is the Secured Overnight Financing Rate (SOFR). Although USD LIBOR was planned to be discontinued by the end of 2021, in November 2020 the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023. As at 31 December 2021, it is still unclear when the announcement that will set a date for the termination of the publication of USD LIBOR will take place.

IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2021.

As part of the Group's risk management strategy, the Group uses financial instruments to manage exposures arising from variation of interest rates that could affect profit or loss and other comprehensive income and applies hedge accounting to these instruments. Majority of those financial instruments are also referenced to LIBOR. The Group is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before Zakat and income tax is affected through the impact on floating rate borrowings, as follows:

	2021	2020
	SR '000	SR '000
Increase/decrease by 100 basis points	**-/+ 65,064**	-/+ 103,617

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is the relevant interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

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23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued

Foreign Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk
The Group is affected by the volatility of certain commodities, primarily fuel oil. The Group's Board of Directors have developed and enacted a risk management strategy dealing with commodity price risk and its mitigation by entering into long-term contracts with Saudi Aramco for supply of fuel.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions.

Trade receivables
Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit worthiness analysis. At 31 December 2021, the Group had 8 customers (31 December 2020: 8 customers) that owed it more than SR 20 million each and accounted for approximately 43.2% (31 December 2020: 60%) of gross receivables.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are combined into homogenous categories based on their classification into industrial, government, residential and commercial categories and assessed for impairment collectively. The calculation is based on historical data adjusted for future outlook and expectations. Loss rates are calculated using a 'roll rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments. The calculation is based on historical data adjusted for future outlook and expectations.

The expected credit loss estimates are disclosed in Note 11. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 23.1. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as its customers are located in multiple locations and several industries and operate in largely independent markets.

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management, and may be updated throughout the year subject to approval of the higher management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 23.1.

Liquidity risk
Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, Islamic Murabaha loans and other sources of funding. 4.8% of the Group's debt will mature in less than one year at 31 December 2021 (31 December 2020: 5.1%) based on the carrying value of borrowings reflected in the consolidated financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Liquidity risk (Continued)

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

		Contractual undiscounted cash flows			
As at 31 December 2021	**Carrying value**	**Within 12 months**	**2 to 5 years**	**> 5 years**	**Total**
	SR '000	**SR '000**	**SR '000**	**SR '000**	**SR '000**
Trade payables	**612,327**	**612,327**	**-**	**-**	**612,327**
Loans and borrowings	**9,072,465**	**550,894**	**3,534,818**	**6,196,564**	**10,282,276**
Lease liabilities	**3,232,378**	**367,269**	**1,350,749**	**1,514,356**	**3,232,374**
Accrued expense and other payables	**707,551**	**707,551**	**-**	**-**	**707,551**
Other non-current liabilities	**1,435,005**	**-**	**-**	**1,435,005**	**1,435,005**
	15,059,726	**2,238,041**	**4,885,567**	**9,145,925**	**16,269,533**

		Contractual undiscounted cash flows			
As at 31 December 2020	Carrying value	Within 12 months	2 to 5 years	> 5 years	Total
	SR '000	SR '000	SR '000	SR '000	SR '000
Trade payables	584,693	584,693	-	-	584,693
Loans and borrowings	9,557,047	644,512	3,068,154	7,203,477	10,916,143
Lease liabilities	3,833,132	728,142	1,521,914	1,951,984	4,202,040
Accrued expense and other payables	725,957	725,957	-	-	725,957
Other non-current liabilities	949,433	-	-	949,433	949,433
	15,650,262	2,683,304	4,590,068	10,104,894	17,378,266

Capital management

Capital includes equity attributable to the equity holders of the Parent Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. FINANCIAL INSTRUMENTS (Continued)

23.4 Financial instruments risk management objectives and policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total debt to tangible net worth. The Group's policy is to keep the gearing ratio less than 3%. Tangible net worth includes share capital, reserves, retained earnings, excluding dividend declared or paid and any unrealized income from investment in securities. The Group's net debt to adjusted equity ratio as at year end was as follows:

	2021	2020
	SR '000	SR '000
Total liabilities	**16,558,821**	17,124,421
Less: cash and cash equivalents	**(482,654)**	(594,815)
Net debt	**16,076,167**	16,529,606
Total equity	**7,622,390**	6,987,386
Add: fair value reserve of cash flow hedge of investees	**71,304**	162,146
Adjusted equity	**7,693,694**	7,149,532
Net debt to adjusted equity ratio	**2.09**	2.31

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. There have been no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021 and 31 December 2020.

24. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	2021	2020
	SR '000	SR '000
Power	**3,191,128**	3,119,808
Water	**2,897,583**	2,898,043
Others	**103,576**	73,713
	6,192,287	6,091,564

24.1 The Group provides utility services to various customers across the Kingdom of Saudi Arabia. Revenue from contract with customers is recognized over time (Refer note 2.3 (d)).

25. COST OF REVENUE

	2021	2020
	SR '000	SR '000
Power and water costs	**1,435,486**	1,450,846
Fuel and chemicals	**1,413,853**	1,420,679
Depreciation (Note 26.1)	**1,137,181**	1,333,168
Employees related costs	**703,123**	726,941
Operating and maintenance expenses	**214,936**	203,824
Repair and maintenance	**181,407**	178,079
Provision for slow-moving and obsolete inventories (Note 10)	**25,162**	11,532
Amortization of intangible assets	**23,698**	1,667
Others	**152,763**	136,559
	5,287,609	5,463,295

25.1 Cost of revenue includes inventories consumed during the year amounting to SR 328.58 million (2020: SR 253.87 million).

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

26. ADMINISTRATIVE EXPENSES

	2021	2020
	SR '000	SR '000
Employee related costs	**60,724**	66,414
Service contracts	**16,308**	15,498
Donations	**11,222**	14,335
Amortization of intangible assets	**4,763**	2,876
Depreciation (Note 26.1)	**3,491**	2,699
Others	**48,488**	44,977
	144,996	146,799

26.1 Depreciation

	2021	2020
	SR '000	SR '000
Included in cost of sales	**1,137,181**	1,333,168
Included in administrative expenses	**3,491**	2,699
	1,140,672	1,335,867

27. OTHER OPERATING INCOME

	2021	2020
	SR '000	SR '000
SEC margin (Note 27.1)	**157,724**	163,820
Vendor penalties (Note 27.2)	**51,917**	8,485
Gain on sale of scrap	**11,755**	73
Others (Note 27.3)	**24,178**	49,923
	245,574	222,301

27.1 SEC margin

The Supreme Economic Council in its resolution number 369/27 dated 29 Shawwal 1427 (20 November 2006) mentioned that the Parent Company would be compensated for selling the entire power produced by the IWPP to SEC instead of selling it to the Parent Company's customers and for its efforts to establish the initial set-up and to start the IWPP project. Accordingly, the Parent Company recognized SR 157.7 million (2020: SR 163.8 million) SEC margin income representing the agreed compensation to be received from SEC.

27.2 Vendor penalties

This mainly represents penalty from one of the contractors of capital projects who has filed bankruptcy and consequently the Company has encashed the bank guarantee on breach of contractual terms.

27.3 Others

This includes SR 14.3 million (2020: SR 25.6 million) received by the Parent Company on account of project savings shared between all shareholders of JWAP in the proportion of their shareholding for the years 2019 and 2020 (2020: from inception up to 31 December 2018).

28. FINANCE INCOME

	2021	2020
	SR '000	SR '000
Income on short term deposits	**11,902**	12,840
Unwinding of discount on HOP receivable (Note 9)	**7,704**	10,044
	19,606	22,884

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

29. FINANCE COSTS

	2021	2020
	SR '000	SR '000
Finance costs on loans and borrowings	189,112	263,424
Amortization of transaction cost of bank loans and borrowings (Note 18)	30,786	34,811
Finance cost on lease liabilities (Note 31)	14,357	14,636
Others	2,263	2,025
	236,518	314,896

30. RELATED PARTY TRANSACTIONS AND BALANCES

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group did not record any provision for impairment of receivables (31 December 2020: Nil) relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

30.1 Significant transactions with related parties

(i) Revenues and other income include earnings from providing power and water services to related parties in accordance with long term supply agreements as follows:

	2021	2020
Shareholders	SR '000	SR '000
SABIC and its subsidiaries	1,761,472	1,517,111
Royal Commission for Jubail & Yanbu	145,596	118,395
Other related parties		
Saudi Aramco and its subsidiaries	1,458,884	1,121,295
Saudi Electricity Company	1,619,536	1,638,306
	4,985,488	4,395,107

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

	2021	2020
	SR '000	SR '000
Saudi Aramco and its subsidiaries	1,456,942	1,430,619
Saudi Electricity Company	64,647	98,262
	1,521,589	1,528,881

30.2 Due from related parties

Trade receivables

	2021	2020
	SR '000	SR '000
Shareholders		
SABIC and its subsidiaries	200,291	197,311
Royal Commission for Jubail & Yanbu	73,625	91,988
Other related parties		
Saudi Aramco and its subsidiaries	203,352	209,594
Saudi Electricity Company	2,603	2,059
	479,871	500,952

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

30.2 Due from related parties (Continued)

Prepayments and other receivables

	2021	2020
	SR '000	SR '000
Saudi Electricity Company	**137,061**	186,292
	137,061	186,292

30.3 Due to related parties

Trade payables

	2021	2020
	SR '000	SR '000
Other related parties		
Saudi Aramco and its subsidiaries	**86,276**	109,302
Saudi Electricity Company	**-**	49,814
	86,276	159,116

Retention payable

	2021	2020
	SR '000	SR '000
Shareholders		
Royal Commission for Jubail & Yanbu	**28**	6,719

Accrued and other liabilities

	2021	2020
	SR '000	SR '000
Shareholders		
Royal Commission for Jubail & Yanbu	**11,029**	8,839
Other related parties		
Saudi Aramco and its subsidiaries	**137,486**	163,204
Saudi Electricity Company	**33,640**	1,914
	182,155	173,957

30.4 Due to a shareholder

Future minimum lease payments of land leases under the lease contracts with Royal Commission for Jubail and Yanbu, together with the present value of the net minimum lease payments are as follows:

	2021	2020
	SR '000	SR '000
Lease obligation in respect of assets on lease from Royal Commission (Note (i))		
- Non-current	**2,848,304**	2,745,382
- Current	**353,620**	669,176
	3,201,924	3,414,558
Obligation in respect of asset transferred from Royal Commission (Note (ii))	**1,362,717**	799,415
	4,564,641	4,213,973

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

30.4 Due to a shareholder (Continued)

(i) Based on the formal agreement signed between the Parent Company and the Royal Commission in 2006, effective 1 January 2003, the Royal Commission leased to the Parent Company power and water operating facilities at Yanbu and water operating facilities at Jubail, valued at SR 3,373 million. The obligation under this lease will be payable by the Parent Company in 20 equal annual instalments of SR 168.7 million each.

The Parent Company signed the second lease agreement in 2016 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 1,526.6 million. The obligation under this lease will be payable by the Parent Company in 31 annual instalments.

The Parent Company signed the third lease agreement in 2017 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 318.8 million. The obligation under this lease will be payable by the Parent Company in 33 annual instalments.

The Parent Company signed the fourth lease agreement in 2017 with Royal Commission in Jubail for additional power and water operating facilities valued at SR 1,777.8 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the fifth lease agreement in 2018 with Royal Commission in Yanbu for additional water operating facilities valued at SR 13.1 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the sixth lease agreement in 2019 with Royal Commission in Yanbu for additional water operating facilities valued at SR 1.2 million. The obligation under this lease will be payable by the Parent Company in 29 annual instalments.

The Parent Company signed the seventh lease agreement in 2020 with Royal Commission in Yanbu for additional water operating facilities valued at SR 510.9 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

(ii) The Parent Company has outstanding obligation against assets received from the Royal Commission aggregating to SR 1,362.7 million (31 December 2020: SR 799.4 million) for which the finalization of the terms and conditions of payment are pending and accordingly, the balance has been classified as a non-current liability (Note 19).

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

Other Directors interests
The remuneration of directors and other members of key management personnel during the year was as follows:

	2021	2020
	SR '000	SR '000
Short-term employee benefits	**45,617**	33,209
Post-employment defined benefit plan	**5,228**	6,430
Total compensation paid to key management personnel	**50,845**	39,639

31. LEASES

Leases as lessee (IFRS 16)
The Group leases vehicles, land, and houses. The leases typically run for a period of 1 to 50 years, with some leases containing an option to mutually renew the lease after that date.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

31. LEASES (Continued)

i. Lease liabilities

	2021	2020
	SR '000	SR '000
Current portion	**367,330**	721,248
Non-current portion	**2,865,048**	3,111,884
	3,232,378	3,833,132

Movement in lease liabilities

	2021	2020
	SR '000	SR '000
Balance at 1 January	**3,833,132**	3,321,023
Additions	**4,259**	532,825
Interest on lease liabilities	**14,357**	14,635
Payment during the year	**(619,370)**	(35,351)
Balance at 31 December	**3,232,378**	3,833,132

32. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the year but not incurred is SR 1,897 million (31 December 2020: SR 1,993 million).

Other commitment

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

Contingent liabilities

At 31 December 2021, bank guarantees and letter of credits have been issued amounting to SR 524.9 million (31 December 2020: SR 425.7 million) by the Group's bankers, on behalf of the Group in the ordinary course of business.

33. SUBSEQUENT EVENTS

No adjusting event occurred between 31 December 2021 and the date of approval of the consolidated financial statements by the Board of Directors which may have an impact on these consolidated financial statements.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG Professional Services
16th Floor, Al Barghash Tower
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Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

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

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

Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial statements of **Power and Water Utility Company for Jubail and Yanbu (MARAFIQ)** and its subsidiaries ("the Group") which comprises:

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

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

Scope of review

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

KPMG

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

Conclusion

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

KPMG Professional Services

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Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar
Date: 5 Muharram 1444H.
Corresponding to: 3 August 2022G.

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POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	31 March 2022 (Un-audited)	31 December 2021 (Audited)
ASSETS		**SR '000**	SR '000
Non-current assets			
Property, plant and equipment	6	**20,278,403**	20,412,090
Intangible assets		**8,845**	9,619
Equity accounted investees		**32,866**	11,706
Long-term receivables and prepayments		**262,827**	272,418
Deferred tax assets		**3,528**	7,430
Total non-current assets		**20,586,469**	20,713,263
Current assets			
Inventories		**267,627**	273,539
Trade receivables		**967,295**	834,096
Prepayments and other current assets		**377,595**	384,155
Short-term deposits	12	**1,435,000**	1,422,200
Cash and cash equivalents		**636,566**	482,654
Total current assets		**3,684,083**	3,396,644
TOTAL ASSETS		**24,270,552**	24,109,907
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,500,000**	2,500,000
Statutory reserve		**287,960**	287,960
Retained earnings		**4,977,378**	4,834,430
Equity before fair value reserve for cash flow hedge of investees		**7,765,338**	7,622,390
Fair value reserve for cash flow hedge of investees		**29,750**	(71,304)
Equity attributable to equity holders of the Parent Company		**7,795,088**	7,551,086
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	13	**8,527,896**	8,617,965
Lease liabilities	8	**2,897,020**	2,865,048
Other non-current liabilities	14	**2,716,738**	2,752,632
Deferred tax liabilities		**133,826**	126,443
Total non-current liabilities		**14,275,480**	14,362,088
Current liabilities			
Current portion of bank loans and borrowings	13	**370,431**	361,066
Current portion of lease liabilities	8	**335,089**	367,330
Short term borrowings		**51,000**	-
Trade payables		**660,342**	612,327
Accrued expenses and other current liabilities		**783,122**	856,010
Total current liabilities		**2,199,984**	2,196,733
Total liabilities		**16,475,464**	16,558,821
TOTAL EQUITY AND LIABILITIES		**24,270,552**	24,109,907

The condensed consolidated interim financial statements appearing on pages 1 to 17 were approved by the Board of Directors of the Company on 1 Dhul Hijjah 1443H corresponding to 30 June 2022G and have been signed on their behalf by:

Khalid Mohammed Al Salem	Mohammed Berki Al-Zuabi	Muhammed Abdulhamid AlMulhim
Chairman	President & CEO	VP Finance

The accompanying notes 1 through 15 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Note	31 March 2022 (Un-audited) SR '000	31 March 2021 (Un-audited) SR '000
Revenue	10	**1,462,025**	1,422,174
Cost of revenue		**(1,240,546)**	(1,233,793)
Gross profit		**221,479**	188,381
Administrative expenses		**(34,094)**	(22,748)
Other operating income		**29,041**	44,018
Other operating expenses		**(502)**	(747)
Operating profit		**215,924**	208,904
Finance income		**6,582**	4,829
Finance cost		**(59,172)**	(62,713)
Share in results of equity accounted investees		**542**	(134)
Profit before Zakat and income tax		**163,876**	150,886
Zakat and income tax	7	**(20,928)**	(46,659)
Profit for the period		**142,948**	104,227
Attributable to:			
Equity holders of the Parent Company		**142,948**	89,486
Non-controlling interest		**-**	14,741
		142,948	104,227
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders		**0.57**	0.36

The accompanying notes 1 through 15 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	31 March 2022 (Un-audited) SR '000	31 March 2021 (Un-audited) SR '000
Profit for the period	**142,948**	104,227
Other comprehensive income for the period		
Other comprehensive income items that are or may be reclassified to profit or loss account in subsequent periods:		
Share of gain on cash flow hedge of investees, net of deferred tax	**101,054**	50,610
Total comprehensive income for the period	**244,002**	154,837
Attributable to:		
Equity holders of the Parent Company	**244,002**	140,096
Non-controlling interest	**-**	14,741
	244,002	154,837

The accompanying notes 1 through 15 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Attributable to equity holders of the Parent Company						
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of investees SR '000	Total SR '000	Non-controlling interest SR '000	Total equity SR '000
As at 1 January 2021 (Audited)	2,500,000	261,010	4,334,889	(162,146)	6,933,753	53,633	6,987,386
Profit for the period (Un-audited)	-	-	89,486	-	89,486	14,741	104,227
Other comprehensive income (Un-audited)	-	-	-	50,610	50,610	-	50,610
As at 31 March 2021 (Un-audited)	2,500,000	261,010	4,424,375	(111,536)	7,073,849	68,374	7,142,223
As at 1 January 2022 (Audited)	**2,500,000**	**287,960**	**4,834,430**	**(71,304)**	**7,551,086**	**-**	**7,551,086**
Profit for the period (Un-audited)	**-**	**-**	**142,948**	**-**	**142,948**	**-**	**142,948**
Other comprehensive income (Un-audited)	**-**	**-**	**-**	**101,054**	**101,054**	**-**	**101,054**
As at 31 March 2022 (Un-audited)	**2,500,000**	**287,960**	**4,977,378**	**29,750**	**7,795,088**	**-**	**7,795,088**

The accompanying notes 1 through 15 form an integral part of these condensed consolidated interim financial statements

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POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

	Note	31 March 2022 (Un-audited) SR '000	31 March 2021 (Un-audited) SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**142,948**	104,227
Adjustments from:			
Depreciation of property, plant and equipment	6	**286,918**	276,249
Amortization of intangible assets		**1,616**	24,081
Amortization of deferred income		**(14,216)**	(13,770)
Amortization of deferred employee benefits		**1,396**	1,396
Provision for slow moving and obsolete inventories		**2,304**	470
Share in results of equity accounted investees		**(542)**	134
Employees' benefits charge		**14,993**	14,517
Finance income		**(6,582)**	(4,829)
Finance costs		**59,172**	62,713
Zakat and income tax charge	7	**20,928**	46,659
Changes in:			
Trade receivables		**(133,199)**	(68,122)
Inventories		**3,608**	3,683
Prepayment and other current assets		**7,346**	135,288
Long term receivables and prepayments		**10,121**	12,604
Trade payables		**48,015**	(44,084)
Accrued expenses and other current liabilities		**(59,378)**	3,355
Other non-current liabilities		**15,890**	-
Cash generated from operating activities		**401,338**	554,571
Employees' benefits paid		**(2,535)**	(2,142)
Interest paid		**(34,682)**	(32,629)
Zakat and income tax paid		**(6,960)**	(6,478)
Net cash from operating activities		**357,161**	513,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment, net	6	**(153,231)**	(212,028)
Acquisition of intangibles		**(842)**	-
Interest income on deposits		**3,870**	2,265
Net movement in short-term deposits		**(12,800)**	(202,200)
Net cash used in investing activities		**(163,003)**	(411,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans and borrowings		**(87,177)**	(226,507)
Proceeds from short term borrowings		**51,000**	51,000
Payment of lease obligation		**(4,069)**	(2,592)
Other non-current liabilities		**-**	29,351
Net cash used in financing activities		**(40,246)**	(148,748)
Net change in cash and cash equivalents		**153,912**	(47,389)
Cash and cash equivalents at the beginning of the period		**482,654**	594,815
Cash and cash equivalents at the end of the period		**636,566**	547,426
SUPPLEMENTAL CASH FLOW INFORMATION			
Significant non-cash transactions			
Transfers to intangible assets from CWIP		**-**	29,706
Net change in fair value of cash flow hedge of investees		**105,726**	52,966

The accompanying notes 1 through 15 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

1. CORPORATE INFORMATION

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

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

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

	31 March 2022	31 December 2021
Saudi Basic Industries Corporation ("SABIC")	**24.81%**	24.81%
Saudi Aramco Power Company ("SAPCO")	**24.81%**	24.81%
Royal Commission for Jubail & Yanbu ("Royal Commission")	**24.81%**	24.81%
Public Investment Fund ("PIF")	**24.81%**	24.81%
Other private sector investors	**0.76%**	0.76%
	100%	100%

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities. In order to render such services, the Parent Company may:

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

Prior to the commencement of operations of the Parent Company, the supply of the above services was undertaken by the Royal Commission for Jubail and Yanbu ("the Royal Commission"). Pursuant to various government directives, the Parent Company is required to deliver such services to customers in Jubail and Yanbu industrial cities.

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

Group structure

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

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

- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Electric Company, Saline Water Conversion Corporation and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.

- MASA Services Company for Operation and Maintenance (formerly Marafiq SAUR Operation and Maintenance Co.) ("MASA"), owned 100% by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

1. CORPORATE INFORMATION (Continued)

Joint operating arrangement
As at 31 March 2022, the Group has a Joint Operating Arrangement in the following company:

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

Investment in associates
As at 31 March 2022, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.

- Jeddah Althaniya Operation and Maintenance Company ("JAOM"), owned 49% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. Commercial operations of the Company have not commenced yet.

Investment in joint venture:

- Jeddah Althaniya Water Company ("JAWC"), owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet.

The Group's ownership percentage in the above companies is the same in all periods presented in these condensed consolidated interim financial statements except for MASA in which Marafiq had 51% ownership for the three month period ended 31 March 2021.

Date of authorization of condensed consolidated interim financial statements
These condensed consolidated interim financial statements of the group for the three months period ended 31 March 2022 were approved by the Board of Directors on 1 Dhul Hijjah 1443H corresponding to 30 June 2022G.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance
These condensed consolidated interim financial statements (herein referred to as the "interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ("last annual financial statements"). These interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements have been prepared for the use of the Parent Company's management as part of listing application with Capital Market Authority (CMA).

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

These interim financial statements comprise the condensed consolidated interim financial statements of the Parent Company and its subsidiaries for the three-months period ended 31 March 2022. 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 Parent Company controls an investee if, and only if, the Parent Company 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

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

2. BASIS OF ACCOUNTING (Continued)

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

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

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

The Group accounts for its interest in the assets, liabilities, revenues and expenses relating to joint operation.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. USE OF ESTIMATES AND JUDGEMENT
In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

a) New and revised standards with no material effect on the interim financial statements
Following are the recent changes to IFRSs that are required to be adopted in annual periods beginning on 1 January 2022:

- COVID-19 Related Rent Concessions (Amendment to IFRS 16);
- Onerous Contracts - Cost of fulfilling a contract (Amendments to IAS 37);
- Annual Improvements to IFRS standards 2018 – 2020;
- Property, plant and Equipment: Proceeds before intended use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (amendments to IFRS 3).

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

b) Standards issued but not yet effective
The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2022:

- IFRS 17 insurance Contracts, effective for annual periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 01 January 2023;
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023;
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023; and
- Sale or Contribution of assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28), with effective annual periods yet to be determined.

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

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

Segment information:
The Group is organized into business units based on six reportable segments as follows:

- Power, includes electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Gas, includes sales gas distribution and retail sales of gas;
- JWAP, as explained in note 1;
- Tawreed, as explained in note 1; and
- Corporate, includes all other activities that are not directly linked to identifiable operating segments. This includes finance income/expense, other income/expense and share in results of equity accounted investees.

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

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

5. OPERATING SEGMENTS (Continued)

For the three months period ended 31 March 2022

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	373,206	548,271	19,921	-	520,627	-	-	1,462,025
Inter segment	-	111,940	-	82,987	90,143	2,120	(287,190)	-
Total revenue	373,206	660,211	19,921	82,987	610,770	2,120	(287,190)	1,462,025
Cost of revenue								
Depreciation and amortisation	(97,629)	(144,559)	(862)	(556)	-	-	(42,941)	(286,547)
Others	(213,163)	(407,625)	(16,863)	(36,386)	(608,648)	-	328,686	(953,999)
Total cost of revenue	(310,792)	(552,184)	(17,725)	(36,942)	(608,648)	-	285,745	(1,240,546)
Administrative and other expenses	(10,722)	(19,288)	(76)	(872)	(2,122)	(2,256)	3,227	(32,109)
Depreciation and amortisation	(283)	(1,694)	(8)	-	-	-	-	(1,985)
Total administrative and other expenses	(11,005)	(20,982)	(84)	(872)	(2,122)	(2,256)	3,227	(34,094)
Other income/ expense, net	-	252	-	115	-	39,055	(4,301)	35,121
Finance cost	-	(73)	-	(17,276)	-	(41,923)	100	(59,172)
Share of income in equity accounted investees	-	-	-	-	-	542	-	542
Zakat and income tax expense	-	(607)	-	(2,078)	-	(18,243)	-	(20,928)
Net profit / (loss) for the period	51,409	86,617	2,112	25,934	-	(20,705)	(2,419)	142,948
As at 31 March 2022								
Total assets	8,736,515	10,698,477	163,562	2,391,214	503,872	3,637,736	(1,860,824)	24,270,552
Total liabilities	3,375,819	5,526,452	19,463	1,681,118	501,935	5,617,656	(246,979)	16,475,464

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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5. OPERATING SEGMENTS (Continued)

For the three months period ended 31 March 2021

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	359,137	537,376	15,034	-	510,627	-	-	1,422,174
Inter segment	-	123,287	-	78,323	85,846	93	(287,549)	-
Total revenue	359,137	660,663	15,034	78,323	596,473	93	(287,549)	1,422,174
Cost of revenue								
Depreciation and amortisation	(107,568)	(132,325)	(2,216)	(474)	-	-	(42,940)	(285,523)
Others	(125,199)	(317,627)	(140,166)	(35,231)	(593,093)	(64,774)	327,820	(948,270)
Total cost of revenue	(232,767)	(449,952)	(142,382)	(35,705)	(593,093)	(64,774)	284,880	(1,233,793)
Administrative and other expenses	-	-	-	-	(3,381)	(5,061)	501	(7,941)
Depreciation and amortisation	-	-	-	-	-	(14,807)	-	(14,807)
Total administrative and other expenses	-	-	-	-	(3,381)	(19,868)	501	(22,748)
Other income/ expense, net	457	952	5	63	27	50,240	(3,644)	48,100
Finance cost	-	(121)	-	(18,555)	-	(44,202)	165	(62,713)
Share of income in equity accounted investees	-	-	-	-	-	(134)	-	(134)
Zakat and income tax expense	-	(1,991)	-	(1,854)	-	(42,814)	-	(46,659)
Net profit / (loss) for the period	126,827	209,551	(127,343)	22,272	26	(121,459)	(5,647)	104,227
Non-controlling interest (NCI)	-	(14,741)	-	-	-	-	-	(14,741)
As at 31 December 2021								
Total assets	8,752,713	10,805,604	163,196	2,409,735	481,912	3,248,055	(1,751,308)	24,109,907
Total liabilities	3,295,429	5,778,607	19,168	1,806,009	479,976	5,469,937	(290,305)	16,558,821

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work – in-progress	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2021	411,511	17,587,172	3,702,140	4,612,334	3,129,233	90,369	700,322	1,281,888	31,514,969
Additions	-	9,558	80,198	118,318	357,900	-	75,911	712,667	1,354,552
Disposals	-	(32,854)	(6,298)	-	-	-	(2,797)	-	(41,949)
Transfers	-	231,517	40,869	4,889	32,760	-	47,858	(390,756)	(32,863)
Balance at 31 December 2021	411,511	17,795,393	3,816,909	4,735,541	3,519,893	90,369	821,294	1,603,799	32,794,709
Additions	**-**	**69**	**-**	**453**	**-**	**-**	**8,509**	**144,200**	**153,231**
Transfers	**-**	**15,372**	**-**	**-**	**2,668**	**-**	**10,399**	**(28,439)**	**-**
Balance at 31 March 2022	**411,511**	**17,810,834**	**3,816,909**	**4,735,994**	**3,522,561**	**90,369**	**840,202**	**1,719,560**	**32,947,940**
Accumulated depreciation									
Balance at 1 January 2021	34,113	6,727,487	1,385,981	1,749,624	876,627	44,078	450,873	-	11,268,783
Depreciation	15,165	620,335	98,704	229,584	109,558	4,504	62,822	-	1,140,672
Disposals	-	(21,558)	(2,481)	-	-	-	(2,797)	-	(26,836)
Balance at 31 December 2021	49,278	7,326,264	1,482,204	1,979,208	986,185	48,582	510,898	-	12,382,619
Depreciation	**2,872**	**157,002**	**24,651**	**58,577**	**26,913**	**1,126**	**15,777**	**-**	**286,918**
Balance at 31 March 2022	**52,150**	**7,483,266**	**1,506,855**	**2,037,785**	**1,013,098**	**49,708**	**526,675**	**-**	**12,669,537**
Carrying value:									
Balance at 31 March 2022	**359,361**	**10,327,568**	**2,310,054**	**2,698,209**	**2,509,463**	**40,661**	**313,527**	**1,719,560**	**20,278,403**
Balance at 31 December 2021	362,233	10,469,129	2,334,705	2,756,333	2,533,708	41,787	310,396	1,603,799	20,412,090

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

7. ZAKAT AND INCOME TAX

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

	31 March 2022 (Un-audited) SR '000	31 March 2021 (Un-audited) SR '000
Zakat charge	**12,548**	17,049
Income tax	**8,380**	29,610
Total	**20,928**	46,659

a) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)
Zakat and income tax assessment have been finalised up to 2014. During 2021, Zakat, Tax and Customs Authority (ZATCA) issued assessments for the years 2015 to 2017 raising additional Zakat demand of SR 99.8 million. Marafiq filed appeals against 2015, 2016 & 2017 assessments within the due date. The ZATCA issued its revised assessments rejecting Marafiq's contention in appeals. Marafiq has filed appeals against ZATCA's revised assessments to General Secretariat of Tax Committees (GSTC) and GSTC's review is awaited. Income tax and Zakat return for the year ended 31 December 2021 has been submitted within the statutory deadline.

Marafiq Water and Power Supply Company (TAWREED)
Zakat and income tax assessment have been finalised up to 2014 and for 2017. During 2021, ZATCA issued assessments for the years 2015 and 2016 raising additional Zakat demand of SR 2.2 million. Tawreed filed appeals against 2015 and 2016 assessments within due date. During 2021, the ZATCA issued its revised assessments rejecting Tawreed's contention in appeals. Tawreed has filed appeals against ZATCA's revised assessments to GSTC and GSTC's review is awaited.

The ZATCA has raised certain additional queries for the years 2018 through 2020 which have been responded by Tawreed and ZATCA's review is awaited. Income tax and Zakat return for the year ended 31 December 2021 has been submitted within the statutory deadline.

Jubail Water and Power Company (JWAP)
Zakat and income tax assessment from the year 2007 through 2012 have been finalized. The income tax and Zakat returns for the years 2013 through 2021 have been submitted with the ZATCA and ZATCA's review is awaited. During 2021, the ZATCA issued an assessment for the year 2018 with additional tax, Zakat and withholding tax liability of SR 0.09 million, SR 160 million and SR 0.3 million respectively. JWAP has filed an appeal against ZATCA's assessments to GSTC and GSTC's review is awaited. Income tax and Zakat return for the year ended 31 December 2021 have been submitted within the statutory deadline.

MASA Services Company for Operation and Maintenance (MASA)
The Zakat and income tax assessment for the years since inception through 2021 are under review by the ZATCA. Income tax and Zakat return for the year ended 31 December 2021 have been submitted within the statutory deadline.

8. FINANCIAL INSTRUMENTS
i. Financial assets

	31 March 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Trade receivables	**996,159**	856,978
Other receivables (note a)	**288,963**	270,257
Due from employee home ownership program	**234,580**	234,580
Short term deposits	**1,435,000**	1,422,200
Cash and cash equivalents	**636,566**	482,654
Total financial assets not measured at fair value	**3,591,268**	3,266,669

a. This includes SEC margin receivable amounting to SR 20.1 million (31 December 2021: SR 10.4 million) and accrued revenue amounting to SR 224 million (31 December 2021: SR 224.3 million).

These interim financial statements do not include all financial risk management information and disclosures required in the annual audited consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. The risk management policies of the Group were the same as those described in the last annual financial statements.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

8. FINANCIAL INSTRUMENTS (Continued)

ii. Financial liabilities

	31 March 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Loans and borrowings	**8,985,289**	9,072,466
Lease liabilities	**3,232,109**	3,232,378
Short term borrowings	**51,000**	-
Other non-current liabilities	**1,443,245**	1,435,005
Trade payables	**660,342**	612,327
Accrued expense and other payables (note a)	**675,853**	707,551
Total financial liabilities not measured at fair value	**15,047,838**	15,059,727

a. This includes due to related parties amounting to SR 112.7 million (31 December 2021: SR 182.1 million) and accrued finance cost amounting to SR 37.9 million (31 December 2021: SR 23.8 million).

iii. Fair value hierarchy for financial instruments

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

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

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

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

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

	Fair value			
Fair value – hedging instruments	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
31 March 2022 (un-audited)	**-**	**29,750**	**-**	**29,750**
31 December 2021 (audited)	-	(71,304)	-	(71,304)

Fair value of cash flows hedge reserve represents the mark to market values of the interest rate swaps as of 31 December 2021. Interest rate swaps are fair valued by calculating present value of the estimated future cash flows. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current default swap or bond prices.

9. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the period but not incurred is SR 1,917 million (31 December 2021: SR 1,897 million).

Other commitments

One of the Group companies, Tawreed has an agreement with Saudi Aramco to purchase fuel for a period of twenty years. The cost of fuel is charged back to On-Sale Parties on a monthly basis without any mark-up.

Contingent liabilities

At 31 March 2022, bank guarantees have been issued amounting to SR 525.4 million (31 December 2021: SR 524.9 million), by the Group's bankers, on behalf of the Group in the ordinary course of business.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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10. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	31 March 2022 (Un-audited)	31 March 2021 (Un-audited)
	SR '000	SR '000
Power	**738,941**	726,199
Water	**694,287**	672,574
Others	**28,797**	23,401
	1,462,025	1,422,174

11. RELATED PARTY TRANSACTIONS AND BALANCES

11.1 Significant transactions with related parties

Revenues and other income include earnings from providing power and water services to related parties in accordance with long term supply agreement as follows:

	31 March 2022 (Un-audited)	31 March 2021 (Un-audited)
	SR '000	SR '000
Shareholders		
SABIC and its subsidiaries	**399,356**	354,820
Royal Commission for Jubail & Yanbu	**28,178**	25,510
Other related parties		
Saudi Aramco and its subsidiaries	**359,617**	299,518
Saudi Electricity Company	**366,794**	368,238
	1,153,945	1,048,086

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

	31 March 2022 (Un-audited)	31 March 2021 (Un-audited)
	SR '000	SR '000
Other related parties		
Saudi Aramco and its subsidiaries	**330,742**	334,011
Saudi Electricity Company	**22,455**	24,397
	353,197	358,408

11.2 Balances with related parties

Due to related parties	31 March 2022 (Un-audited)	31 December 2021 (Audited)
	SR '000	SR '000
Shareholders		
Royal Commission (11.2.1)	**4,568,589**	4,575,698
Other related parties		
Saudi Aramco and its subsidiaries	**275,144**	223,762
Saudi Electricity Company	**36,987**	33,640
	4,880,720	4,833,100

11.2.1 This includes lease obligation in respect of assets on lease from Royal Commission and obligation in respect of assets transferred from Royal Commission amounting to SR 3,194.1 million and SR 1,362.7 million respectively (31 December 2021: SR 3,201.9 million and SR 1,362.7 million respectively).

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Due from related parties

	31 March 2022 (Un-audited)	31 December 2021 (Audited)
	SR '000	SR '000
Shareholders		
Royal Commission	**81,723**	73,625
SABIC and its subsidiaries	**197,441**	200,291
Other related parties		
Saudi Aramco and its subsidiaries	**177,836**	203,352
Saudi Electricity Company	**259,763**	139,664
	716,763	616,932

11.3 Transactions with key management personnel

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

Directors' interest

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

	31 March 2022 (Un-audited)	31 March 2021 (Un-audited)
	SR '000	SR '000
Short-term employee benefits	**9,373**	6,768
Post-employment defined benefit plan	**814**	894
Total compensation paid to key management personnel	**10,187**	7,662

11.4 Transfer pricing

On 15 February 2019, Transfer Pricing By-Laws ("TP By-Laws") were enacted as part of tax law and became binding on taxpayers for periods ending on or after 31 December 2018. TP By-Laws require additional disclosure form of controlled transactions along with annual tax returns to be submitted to ZATCA, summarizing the related party transactions, counter parties including country, amount and Transfer Pricing method. The Company has submitted disclosure forms and affidavits for the year ended 31 December 2021 within the statutory time limit.

12. SHORT TERM DEPOSITS

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

13. BANK LOANS AND BORROWINGS

	31 March 2022 (Un-audited)	31 December 2021 (Audited)
	SR '000	SR '000
MARAFIQ		
Fourth Murabaha	**1,500,000**	1,500,000
Fifth Murabaha	**1,500,000**	1,500,000
Sixth Murabaha	**3,400,000**	3,400,000
SIDF	**990,000**	990,000
	7,390,000	7,390,000
Less: Unamortised transaction costs	**(69,515)**	(75,154)
	7,320,485	7,314,846
JWAP		
Long-term loans	**1,595,289**	1,682,466
Less: Unamortised transaction costs	**(17,447)**	(18,281)
Total	**8,898,327**	8,979,031

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

13. BANK LOANS AND BORROWINGS (Continued)

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

	31 March 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Current maturity under current liabilities	**370,431**	361,066
Non-current maturity under non-current liabilities	**8,527,896**	8,617,965
	8,898,327	8,979,031

14. OTHER NON-CURRENT LIABILITIES

	31 March 2022 (Un-audited)	31 December 2021 (Audited)
Obligation for assets transferred (note 11.2.1)	**1,362,717**	1,362,717
Obligation for post-employment defined benefits	**659,440**	646,982
Deferred income	**614,053**	620,712
Retention payable	**17,609**	13,925
Employees' savings plan	**56,023**	51,628
Others	**6,896**	56,668
	2,716,738	2,752,632

15. SUBSEQUENT EVENTS
The shareholders of the Group in their meeting held on 21 April 2022 approved to distribute dividends amounting to SR 175 million for the year ended 31 December 2021.

Except for above, no adjusting event occurred between 31 March 2022 and the date of approval of the interim financial statements by the Board of Directors which may have an impact on these interim financial statements.

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

(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

WITH INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG Professional Services
16th Floor, Al Barghash Tower
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P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

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

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

Introduction

We have reviewed the accompanying 30 June 2022 condensed consolidated interim financial statements of **Power and Water Utility Company for Jubail and Yanbu (MARAFIQ)** and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2022;
- the condensed consolidated income statement for the three and six months period ended 30 June 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three and six months period ended 30 June 2022;
- the condensed consolidated statement of changes in equity for the six months period ended 30 June 2022;
- the condensed consolidated statement of cash flows for the three and six months period ended 30 June 2022; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

KPMG

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022, condensed consolidated interim financial statements of **Power and Water Utility Company for Jubail and Yanbu** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar
Date: 18 Safar 1444H.
Corresponding to: 14 September 2022G.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	30 June 2022 (Un-audited)	31 December 2021 (Audited)
ASSETS		**SR '000**	SR '000
Non-current assets			
Property, plant and equipment	6	**20,134,233**	20,412,090
Intangible assets		**8,916**	9,619
Equity accounted investees		**48,589**	11,706
Long-term receivables and prepayments		**263,614**	272,418
Deferred tax assets		**4,345**	7,430
Total non-current assets		**20,459,697**	20,713,263
Current assets			
Inventories		**279,226**	273,539
Trade receivables	10	**1,059,985**	834,096
Prepayments and other current assets		**421,302**	384,155
Short-term deposits	12	**1,742,000**	1,422,200
Cash and cash equivalents		**364,624**	482,654
Total current assets		**3,867,137**	3,396,644
TOTAL ASSETS		**24,326,834**	24,109,907
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,500,000**	2,500,000
Statutory reserve		**287,960**	287,960
Retained earnings		**5,100,000**	4,834,430
Equity before fair value reserve for cash flow hedge of investees		**7,887,960**	7,622,390
Fair value reserve for cash flow hedge of investees		**71,590**	(71,304)
Equity attributable to equity holders of the Parent Company		**7,959,550**	7,551,086
LIABILITIES			
Non-current liabilities			
Bank loans and borrowings	13	**8,425,998**	8,617,965
Lease liabilities		**2,825,482**	2,865,048
Other non-current liabilities	14	**2,740,349**	2,752,632
Deferred tax liabilities		**144,423**	126,443
Total non-current liabilities		**14,136,252**	14,362,088
Current liabilities			
Current portion of bank loans and borrowings	13	**384,547**	361,066
Current portion of lease liabilities		**343,461**	367,330
Trade payables		**682,270**	612,327
Accrued expenses and other current liabilities		**820,754**	856,010
Total current liabilities		**2,231,032**	2,196,733
Total liabilities		**16,367,284**	16,558,821
TOTAL EQUITY AND LIABILITIES		**24,326,834**	24,109,907

The condensed consolidated interim financial statements appearing on pages 1 to 18 were approved by the Board of Directors of the Company on 18 Safar 1444H corresponding to 14 September 2022G and have been signed on their behalf by:

Khalid Mohammed Al Salem Chairman	Mohammed Berki Al-Zuabi President & CEO	Muhammed Abdulhamid AlMulhim VP Finance

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Note	Three months from April to June		Six months from January to June	
		2022 (Unaudited) SR '000	2021 (Unaudited) SR '000	**2022 (Unaudited) SR '000**	2021 (Unaudited) SR '000
Revenue	15	**1,655,511**	1,568,116	**3,117,536**	2,990,290
Cost of revenue		**(1,378,396)**	(1,279,787)	**(2,618,942)**	(2,513,580)
Gross profit		**277,115**	288,329	**498,594**	476,710
Administrative expenses		**(21,256)**	(36,288)	**(55,350)**	(59,036)
Other operating income		**85,826**	53,944	**114,867**	97,962
Other operating expenses		**(59)**	(1,098)	**(561)**	(1,845)
Operating profit		**341,626**	304,887	**557,550**	513,791
Finance income		**10,278**	4,926	**16,860**	9,755
Finance cost		**(58,084)**	(60,387)	**(117,256)**	(123,100)
Share in results of equity accounted investees		**(1,149)**	4,471	**(607)**	4,337
Profit before Zakat and income tax		**292,671**	253,897	**456,547**	404,783
Zakat and income tax	7	**(30,850)**	(27,218)	**(51,778)**	(73,877)
Profit for the period		**261,821**	226,679	**404,769**	330,906
Attributable to:					
Equity holders of the parent		**261,821**	220,915	**404,769**	310,401
Non-controlling interest		**-**	5,764	**-**	20,505
		261,821	226,679	**404,769**	330,906
Earnings per share:					
Basic and diluted earnings per share attributable to shareholders		**1.05**	0.91	**1.62**	1.32

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Three months from April to June		Six months from January to June	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
	SR '000	SR '000	**SR '000**	SR '000
Profit for the period	**261,821**	226,679	**404,769**	330,906
Other comprehensive income for the period				
Other comprehensive income items that are or may be reclassified to profit or loss account in subsequent periods:				
Share of profit / (loss) on cash flow hedge of investees net of deferred tax	**41,840**	(1,162)	**142,894**	49,448
Total comprehensive income for the period	**303,661**	225,517	**547,663**	380,354
Attributable to:				
Equity holders of the parent	**303,661**	219,753	**547,663**	359,849
Non-controlling interest	**-**	5,764	**-**	20,505
	303,661	225,517	**547,663**	380,354

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Attributable to equity holders of the Parent Company						
	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge of investees SR '000	Total SR '000	Non-controlling interest SR '000	Total equity SR '000
As at 1 January 2021 (Audited)	2,500,000	261,010	4,334,889	(162,146)	6,933,753	53,633	6,987,386
Profit for the period (Un-audited)	-	-	310,401	-	310,401	20,505	330,906
Other comprehensive income (Un-audited)	-	-	-	49,448	49,448	-	49,448
Dividends (Un-audited)	-	-	(140,605)	-	(140,605)	(12,735)	(153,340)
As at 30 June 2021 (Un-audited)	2,500,000	261,010	4,504,685	(112,698)	7,152,997	61,403	7,214,400
As at 1 January 2022 (Audited)	**2,500,000**	**287,960**	**4,834,430**	**(71,304)**	**7,551,086**	**-**	**7,551,086**
Profit for the period (Un-audited)	**-**	**-**	**404,769**	**-**	**404,769**	**-**	**404,769**
Other comprehensive income (Un-audited)	**-**	**-**	**-**	**142,894**	**142,894**	**-**	**142,894**
Dividends (Un-audited)	**-**	**-**	**(139,199)**	**-**	**(139,199)**	**-**	**(139,199)**
As at 30 June 2022 (Un-audited)	**2,500,000**	**287,960**	**5,100,000**	**71,590**	**7,959,550**	**-**	**7,959,550**

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Note	Three months from April to June		Six months from January to June	
		2022 (Un-audited)	2021 (Un-audited)	**2022 (Un-audited)**	2021 (Un-audited)
		SR '000	SR '000	**SR '000**	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the period		**261,821**	226,679	**404,769**	330,906
Adjustments from:					
Depreciation of property, plant and equipment	6	**287,382**	282,197	**574,300**	558,447
Amortization of intangible assets		**1,927**	(1,003)	**3,543**	23,077
Amortization of deferred income		**(14,337)**	(13,719)	**(28,553)**	(27,489)
Amortization of deferred employee benefits		**1,396**	1,395	**2,792**	2,791
Provision for impairment of trade receivables		**-**	1,076	**-**	1,076
Provision for slow moving and obsolete inventories		**3,993**	676	**6,297**	1,146
Share in results of equity accounted investees		**1,149**	(4,471)	**607**	(4,337)
Employees' benefits charge		**29,958**	24,646	**44,951**	39,163
Finance income		**(10,278)**	(4,926)	**(16,860)**	(9,755)
Finance costs		**58,084**	60,387	**117,256**	123,100
Zakat and income tax charge	7	**30,850**	27,218	**51,778**	73,877
Changes in:					
Trade receivables		**(92,690)**	58,844	**(225,889)**	(9,278)
Inventories		**(15,592)**	(15,574)	**(11,984)**	(11,891)
Prepayment and other current assets		**(24,239)**	(35,052)	**(16,893)**	100,236
Long term receivables and prepayments		**11,758**	15,369	**21,879**	27,973
Trade payables		**(15,943)**	44,531	**69,943**	447
Accrued expenses and other current liabilities		**26,040**	(13,750)	**4,060**	(14,136)
Other non-current liabilities		**84,035**	-	**24,656**	-
Cash generated from operating activities		**625,314**	654,523	**1,026,652**	1,205,353
Employees' benefits paid		**(2,193)**	(6,923)	**(4,728)**	(9,065)
Interest paid		**(64,214)**	(65,248)	**(98,896)**	(97,877)
Zakat and income tax paid		**(35,186)**	(39,871)	**(42,146)**	(46,349)
Net cash from operating activities		**523,721**	542,481	**880,882**	1,052,062
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(140,505)**	(174,027)	**(293,736)**	(383,519)
Additions to intangible assets		**(1,998)**	-	**(2,840)**	-
Interest income on deposits		**5,808**	2,314	**9,678**	4,579
Net movement in short-term deposits		**(307,000)**	(225,600)	**(319,800)**	(427,800)
Net cash used in investing activities		**(443,695)**	(397,313)	**(606,698)**	(806,740)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of bank loans and borrowings		**(94,020)**	(84,327)	**(181,197)**	(310,834)
Proceeds from short term borrowings		**-**	-	**51,000**	-
Repayment of short term borrowings		**(51,000)**	(51,000)	**(51,000)**	-
Payment of lease obligation		**(67,749)**	(5,030)	**(71,818)**	(5,504)
Movement in other non-current liabilities		**-**	(48,947)	**-**	(20,509)
Dividends paid		**(139,199)**	-	**(139,199)**	-
Net cash used in financing activities		**(351,968)**	(189,304)	**(392,214)**	(336,847)
Net change in cash and cash equivalents		**(271,942)**	(44,136)	**(118,030)**	(91,525)
Cash and cash equivalents at the beginning of the period		**636,566**	547,426	**482,654**	594,815
Cash and cash equivalents at the end of the period		**364,624**	503,290	**364,624**	503,290

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

	Three months from April to June		Six months from January to June	
	2022 (Un-audited)	2021 (Un-audited)	**2022 (Un-audited)**	2021 (Un-audited)
	SR '000	SR '000	**SR '000**	SR '000
SUPPLEMENTAL CASH FLOW INFORMATION				
Significant non-cash transactions				
Customer funded assets acquired	**1,960**	-	**1,960**	-
Additions to ROU assets	**747**	1,268	**747**	1,268
Dividends declared to NCI	**-**	12,735	**-**	12,735
Dividends declared to shareholders of the Parent Company	**-**	140,605	**-**	140,605
Transfers to intangible assets from CWIP	**-**	835	**-**	30,541
Net change in fair value of cash flow hedge of investees	**41,840**	(1,162)	**142,894**	49,448

The accompanying notes 1 through 16 form an integral part of these condensed consolidated interim financial statements

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

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

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

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

	30 June 2022	31 December 2021
Saudi Basic Industries Corporation ("SABIC")	**24.81%**	24.81%
Saudi Aramco Power Company ("SAPCO")	**24.81%**	24.81%
Royal Commission for Jubail & Yanbu ("Royal Commission")	**24.81%**	24.81%
Public Investment Fund ("PIF")	**24.81%**	24.81%
Other private sector investors	**0.76%**	0.76%
	100%	100%

The primary objectives of the Parent Company are to undertake operation, maintenance, management, expansion and construction of seawater cooling systems, district cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems as well as electricity systems and transmission and distribution pipeline networks, to provide such services as required for industrial, commercial and residential facilities. In order to render such services, the Parent Company may:

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

Prior to the commencement of operations of the Parent Company, the supply of the above services was undertaken by the Royal Commission for Jubail and Yanbu ("the Royal Commission"). Pursuant to various government directives, the Parent Company is required to deliver such services to customers in Jubail and Yanbu industrial cities.

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

During the six months period ended 30 June 2022, the shareholders of the Parent Company in their meeting held on 21 April 2022 authorized to offer Marafiq's shares for public subscription whereby major shareholders will equally sell their shares on Tadawul. Furthermore, the shareholders authorized the Board of Directors to represent the Parent Company before Capital Market Authority, Tadawul, Ministry of Commerce and any other concerned authority to take necessary approvals in order to list the Parent Company's shares on Tadawul.

On 21st September 2021 (corresponding to 14 Safar 1443H), the Council of Ministers Resolution No. 111 was issued approving the tariff for heavy consumption of electricity that will be applied to establishments operating in qualified activities or sectors belonging to industrial, commercial and agricultural consumers effective 1 January 2022. Eligible sectors in this regard will be determined by a committee to be formed under the chairmanship of the Ministry of Energy.

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1. CORPORATE INFORMATION (Continued)

Group structure

Subsidiaries
As at 30 June 2022, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries hereinafter referred to as "the Group"):

- Marafiq Insurance Limited ("MIL") is a non Shariah compliant entity, owned 100% by the Parent Company, registered in the Island of Guernsey and is engaged in the business of captive insurance for Marafiq.
- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Electric Company, Saline Water Conversion Corporation and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.
- MASA Services Company for Operation and Maintenance (formerly Marafiq SAUR Operation and Maintenance Co.) ("MASA"), owned 100% by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.

Joint operating arrangement
As at 30 June 2022, the Group has following Joint Operating Arrangement in the following company:

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

Investment in associates
As at 30 June 2022, the Group has following associates:

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

Investment in joint venture:
As at 30 June 2022, the Group has following joint venture:

- Jeddah Althaniya Water Company ("JAWC"), owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of the Company have not commenced yet.

The Group's ownership percentage in the above companies is the same in all periods presented in these condensed consolidated interim financial statements except for MASA in which Marafiq had 51% ownership for the three and six months period ended 30 June 2021.

Date of authorization of condensed consolidated interim financial statements
These condensed consolidated interim financial statements of the group for the three and six months period ended 30 June 2022 were approved by the Board of Directors on 18 Safar 1444H corresponding to 14 September 2022G.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance
These condensed consolidated interim financial statements (herein referred to as the "interim financial statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ("last annual financial statements"). These interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group's financial position and performance since the last annual financial statements.

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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2. BASIS OF ACCOUNTING (Continued)

2.1 Statement of compliance (Continued)

These interim financial statements have been prepared for the use of the Parent Company's management as part of listing application with Capital Market Authority (CMA) (Refer note 1).

These interim financial statements have been prepared on a historical cost basis. These interim financial statements comprise the condensed consolidated interim financial statements of the Parent Company and its subsidiaries for the six-months period ended 30 June 2022. 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 Parent Company controls an investee if, and only if, the Parent Company 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

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

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

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

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

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

The Group accounts for its interest in the assets, liabilities, revenues and expenses relating to joint operation

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

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

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATION

a) New and revised standards with no material effect on the interim financial statements
Following are the recent changes to IFRSs that are required to be adopted in annual periods beginning on 1 January 2022:

- COVID-19 Related Rent Concessions (Amendment to IFRS 16);
- Onerous Contracts - Cost of fulfilling a contract (Amendments to IAS 37);
- Annual Improvements to IFRS standards 2018 – 2020;
- Property, plant and Equipment: Proceeds before intended use (Amendments to IAS 16); and
- Reference to the Conceptual Framework (amendments to IFRS 3).

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

b) Standards issued but not yet effective
The Group's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2022:

- IFRS 17 insurance Contracts, effective for annual periods beginning on or after 1 January 2023;
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 01 January 2023;
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023;
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023; and
- Sale or Contribution of assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28), with effective annual periods yet to be determined.

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

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

Segment information:
The Group is organized into business units based on six reportable segments as follows:

- Power, includes electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Gas, includes sales gas distribution and retail sales of gas;
- JWAP, as explained in note 1;
- Tawreed, as explained in note 1; and
- Corporate, includes all other activities that are not directly linked to identifiable operating segments. This includes finance income/expense, other income/expense and share in results of equity accounted investees.

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

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5. OPERATING SEGMENTS (Continued)

For the six months period ended 30 June 2022

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	825,196	1,145,098	38,992	-	1,108,250	-	-	3,117,536
Inter segment	-	231,227	-	168,095	180,213	4,280	(583,815)	-
Total revenue	825,196	1,376,325	38,992	168,095	1,288,463	4,280	(583,815)	3,117,536
Cost of revenue								
Depreciation and amortisation	(193,275)	(291,222)	(1,712)	(1,112)	-	-	(85,882)	(573,203)
Others	(464,927)	(853,603)	(32,838)	(74,087)	(1,287,091)	-	666,807	(2,045,739)
Total cost of revenue	(658,202)	(1,144,825)	(34,550)	(75,199)	(1,287,091)	-	580,925	(2,618,942)
Administrative and other expenses	(20,101)	(37,116)	(152)	(2,114)	(1,372)	3,689	6,455	(50,711)
Depreciation and amortisation	(761)	(3,854)	(24)	-	-	-	-	(4,639)
Total administrative and other expenses	(20,862)	(40,970)	(176)	(2,114)	(1,372)	3,689	6,455	(55,350)
Other income/ expense, net	-	858	-	115	(5)	136,440	(6,242)	131,166
Finance cost	-	(133)	-	(34,117)	-	(83,207)	201	(117,256)
Share of income in equity accounted investees	-	-	-	-	-	(607)	-	(607)
Zakat and income tax expense	-	(3,102)	-	(8,424)	5	(40,257)	-	(51,778)
Net profit for the period	146,132	188,153	4,266	48,356	-	20,338	(2,476)	404,769
As at 30 June 2022								
Total assets	8,701,595	10,704,979	160,870	2,368,341	585,006	3,715,869	(1,909,826)	24,326,834
Total liabilities	3,389,675	5,860,838	19,721	1,663,615	583,069	5,120,380	(270,014)	16,367,284

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5. OPERATING SEGMENTS (Continued)

For the six months period ended 30 June 2021

	Power	Water	Gas	JWAP	Tawreed	Corporate	Eliminations	Total
External customers	746,269	1,127,428	30,568	-	1,086,025	-	-	2,990,290
Inter segment	-	240,479	-	162,686	175,299	1,560	(580,024)	-
Total revenue	746,269	1,367,907	30,568	162,686	1,261,324	1,560	(580,024)	2,990,290
Cost of revenue								
Depreciation and amortisation	(225,972)	(274,395)	(4,586)	(1,009)	-	-	(71,487)	(577,449)
Others	(225,290)	(628,988)	(281,932)	(68,104)	(1,256,170)	(124,200)	648,553	(1,936,131)
Total cost of revenue	(451,262)	(903,383)	(286,518)	(69,113)	(1,256,170)	(124,200)	577,066	(2,513,580)
Administrative and other expenses	-	-	-	(2,927)	(5,155)	(53,294)	6,415	(54,961)
Depreciation and amortisation	-	-	-	-	-	(4,075)	-	(4,075)
Total administrative and other expenses	-	-	-	(2,927)	(5,155)	(57,369)	6,415	(59,036)
Other income/ expense, net	456	1,103	12	60	42	109,341	(5,142)	105,872
Finance cost	-	(230)	-	(36,308)	-	(86,822)	260	(123,100)
Share of income in equity accounted investees	-	-	-	-	-	4,337	-	4,337
Zakat and income tax expense	-	(4,621)	-	(3,192)	-	(66,064)	-	(73,877)
Net profit / (loss) for the period	295,463	460,776	(255,938)	51,206	41	(219,217)	(1,425)	330,906
Non-controlling interest (NCI)	-	20,505	-	-	-	-	-	20,505
As at 31 December 2021								
Total assets	8,752,713	10,805,604	163,196	2,409,735	481,912	3,248,055	(1,751,308)	24,109,907
Total liabilities	3,295,429	5,778,607	19,168	1,806,009	479,976	5,469,937	(290,305)	16,558,821

POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work – in-progress	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Cost:									
Balance at 1 January 2021	411,511	17,587,172	3,702,140	4,612,334	3,129,233	90,369	700,322	1,281,888	31,514,969
Additions	-	9,558	80,198	118,318	357,900	-	75,911	712,667	1,354,552
Disposals	-	(32,854)	(6,298)	-	-	-	(2,797)	-	(41,949)
Transfers	-	231,517	40,869	4,889	32,760	-	47,858	(390,756)	(32,863)
Balance at 31 December 2021	411,511	17,795,393	3,816,909	4,735,541	3,519,893	90,369	821,294	1,603,799	32,794,709
Additions	**-**	**69**	**1,992**	**2,410**	**-**	**-**	**11,624**	**280,348**	**296,443**
Transfers	**-**	**25,420**	**19,738**	**-**	**2,667**	**-**	**12,412**	**(60,237)**	**-**
Disposals	**-**	**(512)**	**-**	**-**	**-**	**-**	**(32)**	**-**	**(544)**
Balance at 30 June 2022	**411,511**	**17,820,370**	**3,838,639**	**4,737,951**	**3,522,560**	**90,369**	**845,298**	**1,823,910**	**33,090,608**
Accumulated depreciation									
Balance at 1 January 2021	34,113	6,727,487	1,385,981	1,749,624	876,627	44,078	450,873	-	11,268,783
Depreciation	15,165	620,335	98,704	229,584	109,558	4,504	62,822	-	1,140,672
Disposals	-	(21,558)	(2,481)	-	-	-	(2,797)	-	(26,836)
Balance at 31 December 2021	49,278	7,326,264	1,482,204	1,979,208	986,185	48,582	510,898	-	12,382,619
Depreciation	**6,788**	**313,853**	**49,575**	**117,171**	**53,803**	**2,252**	**30,858**	**-**	**574,300**
Disposals	**-**	**(512)**	**-**	**-**	**-**	**-**	**(32)**	**-**	**(544)**
Balance at 30 June 2022	**56,066**	**7,639,605**	**1,531,779**	**2,096,379**	**1,039,988**	**50,834**	**541,724**	**-**	**12,956,375**
Carrying value:									
Balance at 30 June 2022	**355,445**	**10,180,765**	**2,306,860**	**2,641,572**	**2,482,572**	**39,535**	**303,574**	**1,823,910**	**20,134,233**
Balance at 31 December 2021	362,233	10,469,129	2,334,705	2,756,333	2,533,708	41,787	310,396	1,603,799	20,412,090

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7. ZAKAT AND INCOME TAX

The Zakat and income tax charge consists of:

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
	SR '000	SR '000
Zakat charge	**30,629**	28,677
Income tax	**21,149**	45,200
Total	**51,778**	73,877

a) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)
Zakat and income tax assessment have been finalised up to 2014. During 2021, Zakat, Tax and Customs Authority (ZATCA) issued assessments for the years 2015 to 2017 raising additional Zakat demand of SR 99.8 million. Marafiq filed appeals against 2015, 2016 & 2017 assessments within the due date. ZATCA issued its revised assessments rejecting Marafiq's contention in appeals. Marafiq has filed appeals against ZATCA's revised assessments to General Secretariat of Tax Committees (GSTC) and GSTC's review is awaited. Income tax and Zakat return for the year ended 31 December 2021 has been submitted within the statutory deadline.

Marafiq Water and Power Supply Company (TAWREED)
Zakat and income tax assessment have been finalised up to 2014 and for 2017. During 2021, ZATCA issued assessments for the years 2015 and 2016 raising additional Zakat demand of SR 2.2 million. Tawreed filed appeals against said assessments within due date. During 2021, ZATCA issued its revised assessments rejecting Tawreed's contention in appeals. Tawreed has filed appeals against ZATCA's revised assessments to GSTC and GSTC's review is awaited.

ZATCA has raised certain additional queries for the years 2018 through 2020 which have been responded by Tawreed and ZATCA's review is awaited. Income tax and Zakat return for the year ended 31 December 2021 has been submitted within the statutory deadline.

Jubail Water and Power Company (JWAP)
Zakat and income tax assessment from the year 2007 through 2012 have been finalized. The income tax and Zakat returns for the years 2013 through 2021 have been submitted with ZATCA and ZATCA's review is awaited. During 2021, ZATCA issued an assessment for the year 2018 with additional tax, Zakat and withholding tax liability (WHT) of SR 0.09 million, SR 160 million and SR 0.3 million respectively together with 1% delay fine on tax and WHT per month from due date till the time liability is settled. During April 2022, JWAP submitted a settlement proposal amounting to approximately SR 2.9 million to Settlement Committee (SC) of ZATCA. The SC has recently made a counter offer of approximately SR 14.4 million together with 1% delay fine on additional tax and WHT due in order to finalize the said assessment for the year ended 31 December 2018. JWAP has accepted ZATCA's proposal and currently waiting for SC to issue invoice in order to settle the above-mentioned liability.

Income tax and Zakat return for the year ended 31 December 2021 have been submitted within the statutory deadline.

MASA Services Company for Operation and Maintenance (MASA)
Zakat and income tax assessment for the years since inception through 2021 are under review by ZATCA. Income tax and Zakat return for the year ended 31 December 2021 have been submitted within the statutory deadline.

8. FINANCIAL INSTRUMENTS
i. Financial assets

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
	SR '000	SR '000
Trade receivables	**1,082,879**	856,978
Other receivables (note a)	**359,970**	270,257
Due from employee home ownership program	**217,354**	234,580
Short term deposits	**1,742,000**	1,422,200
Cash and cash equivalents	**364,624**	482,654
Total financial assets not measured at fair value	**3,766,827**	3,266,669

a. This includes SEC margin receivable amounting to SR 32.3 million (31 December 2021: SR 10.4 million) and accrued revenue amounting to SR 248 million (31 December 2021: SR 224.3 million).

These interim financial statements do not include all financial risk management information and disclosures required in the annual audited consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021. The risk management policies of the Group were the same as those described in the last annual financial statements.

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8. FINANCIAL INSTRUMENTS (Continued)

ii. Financial liabilities

	30 June 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Loans and borrowings	**8,891,269**	9,072,466
Lease liabilities	**3,168,943**	3,232,378
Other non-current liabilities	**1,448,614**	1,435,005
Trade payables	**682,270**	612,327
Accrued expense and other payables (note a)	**723,000**	707,551
Total financial liabilities not measured at fair value	**14,914,096**	15,059,727

a. This includes due to related parties amounting to SR 182.9 million (31 December 2021: SR 182.1 million) and accrued finance cost amounting to SR 21.8 million (31 December 2021: SR 23.8 million).

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

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

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

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

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

	Fair value			
Interest rate swaps used for hedging	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
30 June 2022 (un-audited)	**-**	**71,590**	**-**	**71,590**
31 December 2021 (audited)	-	(71,304)	-	(71,304)

Fair value of cash flows hedge reserve represents mark to market values of the interest rate swaps as of 31 December 2021. Interest rate swaps are fair valued by calculating present value of the estimated future cash flows. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current default swap or bond prices.

9. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the period but not incurred is SR 2,139 million (31 December 2021: SR 1,897 million).

Other commitments

One of the Group companies, Tawreed has an agreement with Saudi Aramco to purchase fuel for a period of twenty years. The cost of fuel is charged back to On-Sale Parties on a monthly basis without any mark-up.

Contingent liabilities

At 30 June 2022, bank guarantees have been issued amounting to SR 500.4 million (31 December 2021: SR 524.9 million), by the Group's bankers, on behalf of the Group in the ordinary course of business. As at 30 June 2022, there is no ongoing litigation which could have a material effect on the Group's interim financial statements.

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10. TRADE RECEIVABLES

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
	SR '000	SR '000
Trade receivables – related parties	**655,441**	479,871
Trade receivables – others	**427,438**	377,107
	1,082,879	856,978
Provision for impairment	**(22,894)**	(22,882)
	1,059,985	834,096

11. RELATED PARTY TRANSACTIONS AND BALANCES

11.1 Significant transactions with related parties

Revenues and other income include earnings from providing power and water services to related parties in accordance with long term supply agreement as follows:

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
	SR '000	SR '000
Shareholders		
SABIC and its subsidiaries	**844,961**	601,401
Royal Commission for Jubail & Yanbu	**66,984**	55,545
Other related parties		
Saudi Aramco and its subsidiaries	**738,681**	616,073
Saudi Electricity Company	**174,306**	794,043
	1,824,932	2,067,062

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

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
	SR '000	SR '000
Other related parties		
Saudi Aramco and its subsidiaries	**724,770**	691,124
Saudi Electricity Company	**45,305**	28,205
	770,075	719,329

11.2 Balances with related parties

Due to related parties	**30 June 2022 (Un-audited)**	31 December 2021 (Audited)
	SR '000	SR '000
Shareholders		
Royal Commission (11.2.1)	**4,540,014**	4,575,698
Other related parties		
Saudi Aramco and its subsidiaries	**346,891**	223,762
Saudi Electricity Company	**16,835**	33,640
	4,903,740	4,833,100

11.2.1 This includes lease obligation in respect of assets on lease from Royal Commission and obligation in respect of assets transferred from Royal Commission amounting to SR 3,159.6 million and SR 1,362.7 million respectively (31 December 2021: SR 3,201.9 million and SR 1,362.7 million respectively).

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11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Due from related parties

	30 June 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Shareholders		
Royal Commission	**42,933**	73,625
SABIC and its subsidiaries	**231,630**	200,291
Other related parties		
Saudi Aramco and its subsidiaries	**204,023**	203,352
Saudi Electricity Company	**406,287**	139,664
	884,873	616,932

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

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

	30 June 2022 (Un-audited) SR '000	30 June 2021 (Un-audited) SR '000
Short-term employee benefits	**14,074**	14,242
Post-employment defined benefit plan	**2,068**	3,435
Total compensation paid to key management personnel	**16,142**	17,677

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

13. BANK LOANS AND BORROWINGS

	30 June 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
MARAFIQ		
Fourth Murabaha	**1,500,000**	1,500,000
Fifth Murabaha	**1,500,000**	1,500,000
Sixth Murabaha	**3,400,000**	3,400,000
SIDF	**896,000**	990,000
	7,296,000	7,390,000
Less: Unamortised transaction costs	**(64,131)**	(75,154)
	7,231,869	7,314,846
JWAP		
Long-term loans	**1,595,288**	1,682,466
Less: Unamortised transaction costs	**(16,612)**	(18,281)
Total	**8,810,545**	8,979,031

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

	30 June 2022 (Un-audited) SR '000	31 December 2021 (Audited) SR '000
Current maturity under current liabilities	**384,547**	361,066
Non-current maturity under non-current liabilities	**8,425,998**	8,617,965
	8,810,545	8,979,031

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14. OTHER NON-CURRENT LIABILITIES

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Obligation for assets transferred (note 11.2.1)	**1,362,717**	1,362,717
Obligation for post-employment defined benefits	**687,112**	646,982
Deferred income	**603,206**	620,712
Retention payable	**19,555**	13,925
Employees' savings plan	**58,815**	51,628
Others	**8,944**	56,668
	2,740,349	2,752,632

15. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	30 June 2022 (Un-audited) SR '000	30 June 2021 (Un-audited) SR '000
Power	**1,625,184**	1,538,144
Water	**1,435,576**	1,404,843
Others	**56,776**	47,303
	3,117,536	2,990,290

16. SUBSEQUENT EVENTS

Subsequent to the six month period ended 30 June 2022, the shareholders of the Parent Company approved interim dividends on 13 September 2022 amounting to SR 275 million.

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