

**SHUAIBAH WATER AND ELECTRICITY COMPANY**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2024  
together with the Independent Auditor's Report

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2024

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## KPMG Professional Services Company

Roshn Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

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

المركز الرئيسي في الرياض

# Independent Auditor's Report

## To the Shareholders of Shuaibah Water and Electricity Company

### Opinion

We have audited the financial statements of Shuaibah Water and Electricity Company ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including international independence standards), that is endorsed in Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the management and the Those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.



# Independent Auditor's Report

To the Shareholders of Shuaibah Water and Electricity Company (continued)

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 **Shuaibah Water and Electricity Company ("the Company")**.

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

### KPMG Professional Services Company

**Mohammed Abdulaziz Almadhoun**  
License No: 554



Riyadh on: 28 April 2025  
Corresponding to: 30 Shawwal 1446

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2024  
(Saudi Riyal in thousands)

	<i>Notes</i>	<u>2024</u>	<u>2023</u>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	13,625	14,175
Net investment in finance lease	6	3,288,895	3,973,583
Fair value of derivatives	14	7,421	10,774
Deferred tax assets	19.2	2,089	2,077
		<u>3,312,030</u>	<u>4,000,609</u>
<b>Current assets</b>			
Trade Receivable	8	202,537	204,603
Prepayments and other receivables	9	18,344	14,476
Net investment in finance lease	6	655,805	522,539
Fair value of derivatives	14	18,263	38,436
Cash and cash equivalents	7	272,760	324,294
		<u>1,167,709</u>	<u>1,104,348</u>
<b>Total assets</b>		<u><b>4,479,739</b></u>	<u><b>5,104,957</b></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	11	1,560,500	1,560,500
General reserve	12	329,531	304,565
Other reserves	13	(35,107)	(12,997)
Retained earnings		617,135	682,444
<b>Total equity</b>		<u>2,472,059</u>	<u>2,534,512</u>
<b>Liabilities</b>			
Loans and borrowings	15	1,349,378	1,845,428
Employee benefits	16	3,533	3,342
Deferred tax liabilities	19.2	2,313	3,752
<b>Non-current liabilities</b>		<u>1,355,224</u>	<u>1,852,522</u>
Current portion of loans and borrowings	15	511,508	575,992
Trade payable	17	20,646	19,660
Accrued expenses and other liabilities	18	106,323	108,028
Zakat and income tax payable	19.3	13,979	14,243
<b>Current liabilities</b>		<u>652,456</u>	<u>717,923</u>
<b>Total liabilities</b>		<u>2,007,680</u>	<u>2,570,445</u>
<b>Total equity and liabilities</b>		<u><b>4,479,739</b></u>	<u><b>5,104,957</b></u>

The accompanying notes from 1 to 31 forms integral part of these financial statements.



Majed Khaldi CEO/EMO



Zaigham Ali Shah CFO

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

	<i>Notes</i>	<u>2024</u>	<u>2023</u>
Revenue	20	551,229	580,594
Cost of sales	21	(108,394)	(108,337)
<b>Gross profit</b>		<u>442,835</u>	<u>472,257</u>
Administrative expenses	22	(51,961)	(65,849)
<b>Operating profit</b>		<u>390,874</u>	<u>406,408</u>
Finance costs	24	(132,194)	(147,629)
Interest income on term deposits		6,624	20,750
Other income	23	1,445	12,506
<b>Profit before zakat and income tax</b>		<u>266,749</u>	<u>292,035</u>
Zakat and income tax expenses	19	(17,092)	(26,266)
<b>Profit for the year</b>		<u>249,657</u>	<u>265,769</u>
<b>Other comprehensive income</b>			
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Cash flow hedge reserve – effective portion of changes in fair value	13	(23,527)	(10,345)
Related deferred tax	13	1,412	621
		<u>(22,115)</u>	<u>(9,724)</u>
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Re-measurement gain on defined benefit liability	16	5	140
<b>Other comprehensive income for the year</b>		<u>(22,110)</u>	<u>(9,584)</u>
<b>Total comprehensive income for the year</b>		<u>227,547</u>	<u>256,185</u>

The accompanying notes from 1 to 31 forms integral part of these financial statements.



Majed Khaldi CEO/EMO



Zaigham Ali Shah CFO

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

	<u>Notes</u>	<u>Share capital</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Total</u>
<b>Balance as at 1 January 2023</b>		1,560,500	277,679	876,561	(3,413)	2,711,327
Profit for the year		-	-	265,769	-	265,769
Other comprehensive income	13	-	-	-	(9,584)	(9,584)
Total comprehensive income		-	-	265,769	(9,584)	256,185
Transfer to general reserve	12	-	26,886	(26,886)	-	-
<u>Transaction with owners:</u>						
Dividends paid net of zakat and tax recovered from shareholders	26	-	-	(433,000)	-	(433,000)
<b>Balance as at 31 December 2023</b>		1,560,500	304,565	682,444	(12,997)	2,534,512
Profit for the year		-	-	249,657	-	249,657
Other comprehensive income	13	-	-	-	(22,110)	(22,110)
Total comprehensive income		-	-	249,657	(22,110)	227,547
Transfer to general reserve	12	-	24,966	(24,966)	-	-
<u>Transaction with owners:</u>						
Dividends paid net of zakat and tax recovered from shareholders	26	-	-	(290,000)	-	(290,000)
<b>Balance as at 31 December 2024</b>		<b>1,560,500</b>	<b>329,531</b>	<b>617,135</b>	<b>(35,107)</b>	<b>2,472,059</b>

The accompanying notes from 1 to 31 forms integral part of these financial statements.



Majed Khaldi CEO/EMO



Zaigham Ali Shah CFO

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>			
Profit before zakat and tax		266,749	292,035
Adjustments for:			
Depreciation	5	541	840
Finance costs	24	132,194	147,629
Finance lease income	20	(390,489)	(442,011)
Provision for employees' end of service benefits	16	555	666
		<u>9,550</u>	<u>(841)</u>
<i>Changes in:</i>			
Trade receivable		2,066	2,574
Prepayments and other receivables		(3,868)	505
Trade payable		986	7,965
Accrued expenses and other liabilities		10,977	(46,543)
<b>Cash generated from / (used in) operations</b>		<u>19,711</u>	<u>(36,340)</u>
Employees' end of service benefit paid	16	(359)	(1,245)
Finance costs paid		(139,732)	(107,345)
Zakat and tax paid	19	(17,395)	(272,600)
<b>Net cash from operating activities</b>		<u>(137,775)</u>	<u>(417,530)</u>
<b>Cash flow from investing activities</b>			
Recovery of net investment in finance lease		941,911	973,921
<b>Net cash generated from investing activities</b>		<u>941,911</u>	<u>973,921</u>
<b>Cash flow from financing activities</b>			
Proceeds from loans and borrowings		15,437	241,825
Repayment of loans and borrowings		(581,107)	(537,064)
Dividends paid net of zakat and tax recovered from shareholders	26	(290,000)	(433,000)
<b>Net cash used in financing activities</b>		<u>(855,670)</u>	<u>(728,239)</u>
<b>Net change in cash and cash equivalents</b>		<u>(51,534)</u>	<u>(171,848)</u>
Cash and cash equivalents at 1 January		324,294	496,142
<b>Cash and cash equivalents at 31 December</b>	7	<u>272,760</u>	<u>324,294</u>
<b>Material non-cash transactions:</b>			
Net investment in finance lease		21,656	19,211
Change in effective portion of fair value of cash flow hedge reserve net of related deferred tax		(22,115)	(9,724)

The accompanying notes from 1 to 31 forms integral part of these financial statements.



Majed Khaldi CEO/EMO



Zaigham Ali Shah CFO

SHUAIBAH WATER AND ELECTRICITY COMPANY  
(A Saudi Closed Joint Stock Company)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

## 1. COMPANY INFORMATION

Shuaibah Water and Electricity Company (the “Company”) is a Saudi closed joint stock company, established pursuant to Royal Decree number M/43 dated 11 Rajab 1426H (corresponding to 16 August 2005) and registered in the Kingdom of Saudi Arabia under commercial registration number 4030163258 dated 8 Rajab 1427H (corresponding to 2 August 2006) expiring on 28 October 2027. The Company is engaged in development, construction, ownership, operations and maintenance of an independent water and electricity co-generation plant (the “Plant”) in the Kingdom of Saudi Arabia, and sale of desalinated water and electricity and related business or activities.

On 15 November 2005, the Company entered into a Power and Water Purchase Agreement (“PWPA”) with Water and Electricity Company (“WEC”), now Saudi Water Partnership Company (“SWPC”), pursuant to which the Company sells desalinated water and power, based on the net dependable capacity for a period of 20 years from the Project Commercial Operation Date (“PCOD”). The PCOD was achieved on 14 January 2010. The PWPA was extendable for future periods, if mutually agreed upon.

The Company has contracted Saudi Malaysian Operations and Maintenance Company Limited (“SAMAOMCO”, “the Operator”) and Seqayah Operation and Maintenance Company (“SEQAYAH”; the “Sub - contractor”) for the operation and maintenance of the Plant.

On 26<sup>th</sup> May 2021, the Company received an Invitation For Proposal (IFP) pursuant to the Memorandum of Understanding (MOU) signed with Saudi Water Partnership Company, Saudi Malaysian Water and Electricity Company, Water and Electricity Holding Company and Saudi Electricity Company to consider restructuring of the existing PWPA. The development was an attempt by the stake holders to support the government initiative considering that the Government intended to stop supporting oil-fired plants.

On 20<sup>th</sup> June 2022, the Company entered into an amended and restated PWPA according to which the plant shall be decommissioned on 20<sup>th</sup> May 2025. Company will continue to receive capacity payments and output payments from the off-taker up to decommissioning date and capacity payments from the date of decommissioning till the end of the term of amended and restated PWPA i.e. 14 January 2030. Pursuant to this amendment of PWPA, the plant having a net book value of SR 5.5 billion recognized as an operating lease was derecognized on amendment date and finance lease receivable was recognized with an amount of SR 5.2 billion. Refer to note 6 for further details.

The registered address of the Company is located at:

6936 Al Maadi,  
Al Hamra District,  
Jeddah,  
Kingdom of Saudi Arabia

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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”) (“here and after referred to as “IFRS Accounting Standard as endorsed in KSA”) and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia.

SHUAIBAH WATER AND ELECTRICITY COMPANY  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost convention except for derivative financial instruments which are measured at fair value and employees' end of service benefits measured using projected unit credit method, using the accrual basis of accounting.

### **2.3 Going concern basis of accounting**

The Directors have made an assessment of going concern covering a period of at least 12 months from the date these financial statements are approved. In making this assessment, the Directors have considered current performance, liquidity and business plan in particular under the amended and restated PWPA according to which the plant shall be decommissioned on 20<sup>th</sup> May 2025, of which the Company will continue to receive capacity payments and output payments from the off-taker up to decommissioning date and capacity payments from the date of decommissioning till the end of the term of amended and restated PWPA i.e. 14 January 2030.

Based on the above, the Directors have a reasonable expectation that the Company have adequate resources to continue for a period of at least 12 months from the date these financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2024.

### **2.4 Functional and presentation currency**

These financial statements are presented in Saudi Riyal which is also the Company's functional and presentational currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## **3. MATERIAL ACCOUNTING POLICIES**

The material accounting policies set out below have been applied consistently throughout the period covered by these financial statements. The material accounting policies adopted are as follows:

### **a) Financial instruments**

#### *Derivative financial instruments and hedge accounting*

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

SHUAIBAH WATER AND ELECTRICITY COMPANY  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024  
(Saudi Riyal in thousands)

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**a) Financial instruments (continued)**

*Derivative financial instruments and hedge accounting (continued)*

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**a) Financial instruments (continued)**

*Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

**b) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consists of bank balances and cash on hand and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

**c) Zakat and Tax**

Zakat and income tax is provided in accordance with the Regulations and requirements of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is recognised in statement of profit and loss and other comprehensive income.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to the items recognised directly in equity or in OCI. The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

SHUAIBAH WATER AND ELECTRICITY COMPANY  
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(Saudi Riyal in thousands)

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**c) Zakat and Tax (continued)**

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and liabilities are offset only if certain criteria are met.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**d) Lease**

At inception of a contract, the Company assesses whether 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.

*As a lessor*

At inception or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the company 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 company 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 company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**c) Lease (continued)**

*As a lessor (continued)*

If an arrangement contains lease and non-lease components, then the company applies IFRS 15 to allocate the consideration in the contract.

A finance lease is presented as net investment in finance lease and is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments received are apportioned between finance income and the reduction of the net investment in finance lease so as to achieve a constant rate of return on the remaining balance of the asset.

The amount of net investment in finance lease is recorded in the statement of financial position as an asset at the gross amount receivable under the finance lease less unearned finance income.

**d) Revenue recognition**

The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Company. The Company applies the following five-step approach of revenue recognition:

- Step 1: Identify the contract with the customer
- Step 2: Identify the separate performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognize revenue when (or as) each performance obligation is satisfied.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from supply of desalinated water and power is recognised upon delivery of desalinated water and power to the customer on an accrual basis. Capacity charge income (excluding receipts for services provided, such as insurance and maintenance) under Power and Water Purchase Agreements (“PWPA”) for each hour during which the plant is available for power generation and/or water desalination is recognised on a straight-line basis over the lease term or upon actual billing period as appropriate considering the terms of PWPA. The component of billed revenue related to goods/services not delivered or performed are recorded as deferred liability and reported in statement of financial position as deferred revenue. Energy charge revenue which compensates the Company for the fuel and variable cost of power and water delivered is recognized based on the supply of generated power and desalinated water. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due and associated costs.

If an arrangement contains lease components, then the company applies IFRS 16 to allocate the consideration in the contract.

Where the company acts as a lessor, at the inception of the lease, the total unearned finance income i.e. the excess aggregate minimum lease payments plus residual value (guaranteed and unguaranteed), if any, over the cost of the leased assets, is amortised over the term of the lease, and finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the company’s net investment outstanding with respect to the lease.

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**d) Revenue recognition (continued)**

*Interest income*

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for-sale, 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 statement of profit or loss and other comprehensive income.

**e) Dividend**

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors as authorized.

**3.1 New standards, amendments and interpretations adopted by the Company**

**3.1.1 New currently effective requirements**

The Company has applied for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2024. The Company has not earlier adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These standards do not have any material impact on these financial statements.

<b>Effective date</b>	<b>New accounting standards or amendments</b>	<b>Effective Date</b>
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current.	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024

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**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.1 New standards, amendments and interpretations adopted by the Company (continued)**

**3.1.2 Forthcoming requirements**

<b>Standard, interpretation and amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

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**4. SIGNIFICANT ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

The preparation of Company's financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Chartered and Professional Accountants require management to make judgments, estimates, and assumptions that affect the reported amounts of costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are as follows:

***Fair value of derivative financial instruments***

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow 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 about these factors could affect the reported fair value of financial instruments.

The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives include interest rate swaps which are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the interest rate.

***Hedge effectiveness***

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, maturities and the notional amounts. The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item.

***Investment in finance lease***

The lease has been classified as a finance lease as sale proceeds net of asset retirement obligation will be passed on to the off-taker upon decommissioning of the power plant. Additionally, the lease term is for the major part of the remaining economic life of the plant.

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**5. PROPERTY, PLANT AND EQUIPMENT**

	<i>Freehold land</i>	<i>Buildings</i>	<i>Furniture fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress</i>	<i>Total</i>
<b>Cost</b>						
At the beginning of the year	6,590	11,862	8,768	3,904	9	31,133
Write off during the year	--	--	--	--	(9)	(9)
<b>At the end of the year</b>	<b>6,590</b>	<b>11,862</b>	<b>8,768</b>	<b>3,904</b>	<b>--</b>	<b>31,124</b>
<b>Accumulated Depreciation</b>						
At 1 January 2024	--	4,553	8,518	3,887	--	16,958
Depreciation charge for the year	--	425	99	17	--	541
At 31 December 2024	--	4,978	8,617	3,904	--	17,499
<b>Net book value as at 31 December 2024</b>	<b>6,590</b>	<b>6,884</b>	<b>151</b>	<b>--</b>	<b>--</b>	<b>13,625</b>
<b>Cost</b>						
Balance at the beginning and end of the year 2023	6,590	11,862	8,768	3,904	9	31,133
<b>Accumulated Depreciation</b>						
At 1 January 2023	--	4,130	8,150	3,838	--	16,118
Depreciation charge for the year	--	423	368	49	--	840
At 31 December 2023	--	4,553	8,518	3,887	--	16,958
<b>Net book value as at 31 December 2023</b>	<b>6,590</b>	<b>7,309</b>	<b>250</b>	<b>17</b>	<b>9</b>	<b>14,175</b>

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**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**a) Security**

Building' and 'Plant and machinery' are collateralized against long-term financing arrangements entered into by the Company for the purpose of financing the construction of the Plant (note 15).

**b) Leasehold land**

The project is constructed on land leased from Saline Water Conversion Corporation ("SWCC"), at a nominal rent (SR 1,000 Per annum) for an initial term of 20 years from the commencement of the commercial operations.

**6. NET INVESTMENT IN FINANCE LEASE**

On 20 June 2022, the Company entered into an amended power and water purchase agreement (PWPA) with respect to its co-generation plant. As per the amended PWPA, sale proceeds net of asset retirement obligation will be passed on to the off-taker upon decommissioning of the power plant and the Company will continue to receive the capacity payments till the end of the tenure of the amended PWPA. This amendment to the PWPA has been accounted for as a lease modification and the plant recognized as an operating lease as PPE was derecognized. As impairment assessment was done under IAS 36 to assess impairment if any under the revised PWPA and it was noted the present value of future cash flows under the revised PWPA was more than the carrying value of the plant at the date of the amended PWPA. Under the amended PWPA the lease is considered to be a finance lease and accordingly finance lease receivable has been recognised from the effective date of the amended PWPA, i.e. 20 June 2022.

**6.1** Net investment in finance lease as on reporting date consists of

	2024	2023
Gross investment in finance lease	4,959,375	5,906,049
Less: Unearned finance income	(1,014,675)	(1,409,927)
At 31 December	3,944,700	4,496,122

**6.2** Analysed as:

Net investment in finance lease, current	655,805	522,539
Net investment in finance lease, non-current	3,288,895	3,973,583
	3,944,700	4,496,122

**6.3** The future minimum lease payments to be received consist of:

Within one year	965,337	915,506
After one year but not more than five years	3,915,977	4,907,719
Five years onwards	78,061	82,824
	4,959,375	5,906,049

**6.4** The maturity of unearned finance income are as follows:

	2024	2023
Within one year	337,910	392,967
After one year but not more than five years	676,171	1,016,330
Five years onwards	594	630
	1,014,675	1,409,927

**6.5** Finance income earned on the finance lease during the year was SR 390,489 (2023: SR 442,011).

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**7. CASH AND CASH EQUIVALENTS**

	<i>Note</i>	<u>2024</u>	<u>2023</u>
Short term deposits	<i>7.1</i>	<b>264,000</b>	312,625
Balances with banks		<b>8,728</b>	11,637
Cash in hand		<b>32</b>	32
		<u><b>272,760</b></u>	<u>324,294</u>

**7.1** Short term bank deposits represent time deposits with local commercial banks with original maturities of 3 months or less and having an average rate of return of 4.90% per annum (2023: 5.14% per annum).

Management has conducted a review as required under IFRS 9 and based on such assessment, management believes that there is no significant impairment against the carrying value of cash equivalents as the banks have strong credit rating.

**8. TRADE RECEIVABLE**

	<i>Note</i>	<u>2024</u>	<u>2023</u>
Due from SWPC	<i>8.1</i>	<b>233,692</b>	235,758
Less: Allowance for expected credit losses		<b>(31,155)</b>	(31,155)
		<u><b>202,537</b></u>	<u>204,603</u>

Movement in allowance for expected credit losses:

Balance at start of the year		<b>31,155</b>	31,155
Charge for the year		<b>--</b>	--
Balance at the end of the year		<u><b>31,155</b></u>	<u>31,155</u>

**8.1** SWPC is a quasi-Government institution owned by Ministry of Finance (“MoF”). The balance is not yet overdue. The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that no significant impairment allowance was required against these receivables.

**9. PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2024</u>	<u>2023</u>
Prepayments	<b>10,689</b>	1,305
Due from related parties (note 10)	<b>4,687</b>	4,863
Other receivables	<b>2,431</b>	7,291
Interest receivable on term deposits	<b>537</b>	1,017
	<u><b>18,344</b></u>	<u>14,476</u>

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**10 RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of Transaction</i>	<u>2024</u>	<u>2023</u>
Seqayah Operation and Maintenance Company – <i>Subsidiary of ultimate shareholder of parent company</i>	Cost of sales	<b>97,008</b>	98,788
Shuaibah Expansion Project Company – <i>Subsidiary of shareholder</i>	Management fee income	<b>1,246</b>	1,223
	Expenses incurred on behalf of affiliates	<b>2,931</b>	414
ACWA Power – <i>Ultimate shareholder of Parent Company</i>	Expenses incurred by affiliates on behalf of the Company	<b>1,538</b>	12,706
<i>Key management personnel compensation*</i>	Salaries & Benefits	<b>5,175</b>	3,929
<i>Directors</i>	Remuneration and allowances	<b>2,561</b>	2,365

\*This includes salaries and benefits for Executive Managing Officer, Chief Financial Officer and other key management personnel paid by ACWA Power Company and recharged to the Company.

The breakdown of amounts due from / to related parties at the reporting date are as follows:

<i>Relationships</i>	<u>2024</u>	<u>2023</u>
<b><i>Due from related parties</i></b>		
Seqayah Operation and Maintenance Company – <i>Subsidiary of ultimate shareholder of parent company</i>	<b>2,265</b>	3,332
Shuaibah Expansion Project Company – <i>Subsidiary of shareholder</i>	<b>1,894</b>	1,010
ACWA Power Company – <i>Ultimate shareholder of Parent Company</i>	<b>226</b>	225
Shuaibah Expansion Holding Company – <i>Subsidiary of shareholder</i>	<b>302</b>	147
Shuaibah Three Water Desalination Company – <i>Subsidiary of ultimate shareholder of parent company</i>	--	63
First National Operations & Maintenance Co. – <i>Subsidiary of ultimate shareholder of parent company</i>	--	45
Rabigh Power Company – <i>Subsidiary of ultimate shareholder of parent company</i>	--	41
	<b>4,687</b>	4,863
<b><i>Due to related parties</i></b>		
First National Operations & Maintenance Co. – <i>Subsidiary of ultimate shareholder of parent company</i>	--	343
Seqayah Operation and Maintenance Company – <i>Subsidiary of ultimate shareholder of parent company</i>	<b>22,688</b>	19,357
Shuaibah Two Water Projects Development Company – <i>Subsidiary of ultimate shareholder of parent company</i>	--	225
ACWA Power Company – <i>Ultimate shareholder of Parent Company</i>	<b>4,597</b>	5,390
	<b>27,285</b>	25,315

The related party balances are unsecured, interest free and the settlement occurs in cash. The Company did not record any impairment of receivables relating to amounts owed by related parties during the current and prior year. Board and committees fees payable is disclosed in note 18 to these financial statements.

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**11. SHARE CAPITAL**

The authorized, issued and fully paid share capital of the Company is divided into 156,050,000 shares of SR 10 each (31 December 2023: 156,050,000 shares of SR 10 each). The shareholding details of the Company as of 31 December 2024 and 2023 is set out below:

<i>Shareholders</i>	<i>Amount</i>	<i>Number of shares held</i>		<i>Percentage</i>
		<b>2024</b>	2023	
Saudi Malaysian Water and Electricity Company	<b>936,300</b>	<b>93,630,000</b>	93,630,000	60%
Water and Electricity Holding Company	<b>499,360</b>	<b>49,936,000</b>	49,936,000	32%
Saudi Electricity Company	<b>124,840</b>	<b>12,484,000</b>	12,484,000	8%
	<b><u>1,560,500</u></b>	<b><u>156,050,000</u></b>	<u>156,050,000</u>	<u>100%</u>

**12. General RESERVE**

In accordance with the Company's by-laws, the Company must set aside 10% of its profit after zakat and tax in each year until it has built up a reserve equal to 30% of its capital. The reserve is not available for distribution.

General reserve as at 31 December 2024 amounted to SR 329,531 (2023: SR 304,565).

**13. OTHER RESERVES**

Other reserves consist of the following:

	<i>Cash flow hedge reserve</i>	<i>Deferred tax in relation to cash flow hedge reserve</i>	<i>Actuarial loss on employee benefits obligations</i>	<i>Total</i>
Balance as at 1 January 2023	(2,794)	168	(787)	(3,413)
Other comprehensive income/ (loss) during the year	<u>(10,345)</u>	<u>621</u>	<u>140</u>	<u>(9,584)</u>
Balance as at 31 December 2023	(13,139)	789	(647)	(12,997)
Other comprehensive income/ (loss) during the year	<b><u>(23,527)</u></b>	<b><u>1,412</u></b>	<b><u>5</u></b>	<b><u>(22,110)</u></b>
Balance as at 31 December 2024	<b><u><u>(36,666)</u></u></b>	<b><u><u>2,201</u></u></b>	<b><u><u>(642)</u></u></b>	<b><u><u>(35,107)</u></u></b>

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**14. FAIR VALUE OF DERIVATIVES AND CASH FLOW HEDGES**

As per the provisions of facility agreements, the Company is required to hedge the interest rate risk on loans obtained by it. The Company uses derivative financial instruments to hedge its foreign currency exposures to mitigate the interest rate risk, which qualify to be designated as cash flow hedges. The tables below show a summary of the hedged items, the hedging instruments, their notional amounts and fair values for the Company. The notional amounts indicate the volume of transactions outstanding at the reporting date and are neither indicative of market risk nor credit risk.

As at 31 December 2024, the Company held Interest Rate Swaps (“IRS”) of a notional value of SR 951,712 (2023: SR 1,435,775), in order to reduce its exposure to interest rate risks against long-term financing (see note 15).

The table below shows the fair values of derivative financial instruments, recorded as assets, together with their notional amounts.

<i>Notional amount</i>	<u>2024</u>	<u>2023</u>
<b>Hedge Item</b>		
<b>Hedge instruments</b>		
Interest payments on floating rate loans	<b>951,712</b>	1,435,775
 <i>Fair value of IRSs</i>	 <u>2024</u>	 <u>2023</u>
Current portion	<b>18,263</b>	38,436
Non-current portion	<b>7,421</b>	10,774
<b>Total</b>	<b><u>25,684</u></b>	<b><u>49,210</u></b>

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 statement of profit or loss and other comprehensive income and net assets of the Company.

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment, consistent with applicable accounting policy. Under the finance agreements, the hedges are required to be held until maturity of the loans.

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## 15. LOANS AND BORROWINGS

The Company has entered into the following long-term financing arrangements for the purpose of financing the construction of the Plant:

<i>Type of Facilities</i>	<i>Facility agent</i>	<i>Notes</i>	<u>2024</u>	<u>2023</u>
Syndicated commercial	Riyadh Bank	15.1	<b>497,977</b>	854,662
Syndicated Special Facility	Al Rajhi Bank	15.1	<b>257,261</b>	241,825
Islamic – SAR	Al Rajhi Bank	15.2	<b>143,448</b>	226,323
Islamic – USD	Al Rajhi Bank	15.1	<b>158,773</b>	272,436
Islamic – Subordinated Debt	Al Rajhi Bank	15.1	<b>806,855</b>	834,738
			<b>1,864,314</b>	2,429,984
Less: Unamortized portion of financing fees			<b>(3,428)</b>	(8,564)
Financing at end of the year			<b>1,860,886</b>	2,421,420
Current portion			<b>511,508</b>	575,992
Long term portion			<b>1,349,378</b>	1,845,428
			<b>1,860,886</b>	2,421,420

**15.1** This represents a facility bearing an interest rate of SOFR (Secured Overnight Financing Rate) plus an agreed margin. The loan is repayable in semi-annual variable installments payable each year.

**15.2** This represents a facility bearing an interest rate of SIBOR plus an agreed margin. The loan is repayable in semi-annual variable installments payable each year.

Pursuant to the Common Terms Agreement (“CTA”) between the Company and the arrangers of the facilities, the facilities set out in 15.1 and 15.2 above are secured by a legal charge over the Company’s interests in leases of land and any plant and equipment erected thereon constituting fixtures. Moreover, the facilities stated above, are secured by promissory notes from shareholders for the amounts drawn down. The CTA includes certain covenants, which include charge over all assets and restriction on further debt acquisition other than the above facilities. Management believes that they are in compliance of all covenants.

## 16. EMPLOYEE BENEFITS

The movement of employee benefits (end of service) liability (unfunded) is as follows:

	<u>2024</u>	<u>2023</u>
At beginning of the year	<b>3,342</b>	4,061
Charge for the year	<b>555</b>	666
Obligation related to employees transferred from affiliate	--	--
Actuarial gain – Other comprehensive income	<b>(5)</b>	(140)
Paid during the year	<b>(359)</b>	(1,245)
	<b>3,533</b>	3,342

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**16. EMPLOYEE BENEFITS (CONTINUED)**

Details of employees' end-of-service expense as presented on the statement of profit or loss and other comprehensive income is as follows:

	2024	2023
Interest cost	154	164
Current service cost	401	502
	555	666

**Assumptions**

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	5.10%	4.60%
Increments	5.55%	5.05%
Resignation rate		
19 - 25 / 21 - 25 years old	15.00%	15.00%
25 - 54 / 26 - 30 years old	25.00%	20.00%
55 - 70 / 31 - 50 years old	35.00%	23.00%
-- / 51 - 59 years old	--	28.00%

**Discount rate**

IAS 19 requires the discount rate to be set based on the yields on high quality corporate bonds or government bonds of duration and currency consistent with the liabilities. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The discount rate has instead been based on US Corporate bonds yields. This is considered appropriate given that the Saudi Riyal is currently pegged to the US Dollar.

Further, a risk premium to a US discount rate to reflect a credit spread and the risk of the currency linkage being broken has also been used. The Company used a margin of 100bps above US bonds of duration consistent with that of the liabilities. The assumptions have been determined based on the market conditions at each valuation date. The movement in the discount rate represents the movement of US Corporate Bond Yields between the valuation dates.

**Increments**

The assumption for future salary increases has been determined by the Company based on its long-term expectations, reflecting both inflationary and promotional increases.

**Resignation rates**

The turnover assumption determines the rate at which individuals are assumed to resign from the Company before retirement.

**Sensitivity analysis**

The table below shows the change in end of service liability based on a reasonable possible change in the base assumption value for discount and increment rates:

	<i>Change (bps)</i>	<i>Increase (decrease) in EOSB liability</i>	
		2024	2023
Discount rate	+100	(118)	(121)
	-100	127	131
Increments	+100	142	146
	-100	(135)	(137)

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**17. TRADE PAYABLE**

	<u>2024</u>	<u>2023</u>
Trade payable	4,610	4,578
Due to related parties (note 10)	16,036	15,082
	<u>20,646</u>	<u>19,660</u>

**18. ACCRUALS AND OTHER LIABILITIES**

	<u>2024</u>	<u>2023</u>
Accrued financing charges	53,686	66,368
Other accruals and liabilities	14,949	12,322
VAT payable – net	13,102	12,150
Due to other related parties (note 10)	11,249	10,233
Accrued winter period shortage adjustment	8,934	882
Accrued salaries and benefits	4,123	3,553
Withholding tax payable	280	280
Board and committees fees payable	--	2,240
	<u>106,323</u>	<u>108,028</u>

**19. ZAKAT AND INCOME TAX**

*Amounts recognized in profit or loss*

	<u>2024</u>	<u>2023</u>
Zakat expense	5,026	8,531
Tax expense		
Current tax	16,290	17,729
Deferred tax (income)/ charge	(39)	6
Reversal of opening provision	(4,185)	-
Zakat and tax expense	<u>17,092</u>	<u>26,266</u>

*Amounts recognised in OCI*

During the year the Company recognised the following tax related amounts in OCI:

	<u>2024</u>	<u>2023</u>
Deferred tax loss relating to net change in relation to fair value of derivatives	1,412	621

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**19. ZAKAT AND INCOME TAX (CONTINUED)**

**19.2 Deferred tax**

*Movement in deferred tax balances*

The deferred tax asset/ (liability) and deferred tax charge/credit in the statement of profit or loss and other comprehensive income are attributable to the following items:

	<i>Deferred tax assets / (liability) as at 1 January 2024</i>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<i>Deferred tax assets / (liability) as at 31 December 2024</i>
<b>2024</b>				
Property, plant and equipment	(799)	27	-	(772)
Employees' terminal benefits	201	12	-	213
Provision for doubtful debts	1,875	-	-	1,875
Fair value of derivatives	(2,952)	-	1,412	(1,540)
	<u>(1,675)</u>	<u>39</u>	<u>1,412</u>	<u>(224)</u>
	<i>Deferred tax assets / (liability) as at 1 January 2023</i>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<i>Deferred tax assets / (liability) as at 31 December 2023</i>
<b>2023</b>				
Property, plant and equipment	(845)	46	-	(799)
Employees' terminal benefits	244	(43)	-	201
Provision for doubtful debts	1,884	(9)	-	1,875
Fair value of derivatives	(3,573)	-	621	(2,952)
	<u>(2,290)</u>	<u>(6)</u>	<u>621</u>	<u>(1,675)</u>

**19.3 Zakat and current tax provision for the year**

The movement in zakat and tax provision for the year was as follows:

	<u>Zakat</u>	<u>Tax</u>	<u>Total</u>
<b>31 December 2024</b>			
At beginning of the year	14,416	(173)	14,243
Charge for the year	5,026	16,290	21,316
Reversal of opening provision	(4,185)	-	(4,185)
Payments during the year	(8,531)	(8,864)	(17,395)
At end of the year	<u>6,726</u>	<u>7,253</u>	<u>13,979</u>
<b>31 December 2023</b>			
At beginning of the year	18,113	242,464	260,577
Charge for the year	8,531	17,729	26,266
Payments during the year	(12,228)	(260,366)	(272,600)
At end of the year	<u>14,416</u>	<u>(173)</u>	<u>14,243</u>

**19.4 Status of assessments**

The Company has filed its zakat and tax return up to 31 December 2023, which are currently being reviewed by the ZATCA.

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**20. REVENUE**

*Revenue under amended PWPA*

	<u>2024</u>	<u>2023</u>
Capacity payments	108,772	88,255
Output payments	51,968	50,328
Finance lease income	390,489	442,011
	<u>551,229</u>	<u>580,594</u>

**21. COST OF SALES**

	<u>2024</u>	<u>2023</u>
Operation and maintenance costs	105,950	106,280
Depreciation (note 5)	541	840
Other operating costs	1,903	1,217
	<u>108,394</u>	<u>108,337</u>

**22. ADMINISTRATION EXPENSES**

	<u>2024</u>	<u>2023</u>
Insurance cost	22,420	23,734
Employee related costs	16,835	17,771
Legal and professional charges	6,195	15,078
Board committee fees and meeting expenses (note 10)	2,561	2,365
Provision for doubtful debts	-	3,090
Office and other expenses	3,950	3,811
	<u>51,961</u>	<u>65,849</u>

**23. OTHER INCOME**

	<u>2024</u>	<u>2023</u>
Management fee income (note 10)	1,245	1,223
Insurance claim (note 23.1)	200	11,283
	<u>1,445</u>	<u>12,506</u>

**23.1** This includes Insurance claim related to components of plant and machinery which were damaged in the previous year.

**24. FINANCE COST**

	<u>2024</u>	<u>2023</u>
Financing costs	155,090	177,955
Interest charges on cash flow hedges, net	(28,031)	(38,382)
Amortisation of finance charges	5,135	8,056
	<u>132,194</u>	<u>147,629</u>

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**25. COMMITMENTS AND CONTINGENCIES**

As at 31 December 2024, the Company has contractual capital expenditure commitments of SR 11 million (31 December 2023: SR 4.03 million). Further, The Company has a legally binding commitment with Seqaya to purchase unutilized inventory with Seqaya upon decommissioning in May 2025, up to SR 36 million. Based on current estimates, the unutilized inventory at the time of decommissioning is expected to be slightly below this threshold. However, the final amount of inventory to be purchased will depend on operational usage leading up to decommissioning.

**26. DIVIDENDS**

During the year ended 31 December 2024, the Company's Board of Directors paid dividends of SR 1.86 per share aggregating to SR 290 million (2023: SR 2.77 per share aggregating to SR 433 million). The amount of dividends noted above are net of reimbursement of zakat and income tax from shareholders as mentioned below:

	2024	2023
Dividend	315,765	707,415
Less: Reimbursement of zakat and income tax from the shareholders*	(25,765)	(274,415)
Dividends paid net of zakat and tax recovery from shareholders	290,000	433,000

\*Pursuant to the Shareholders Agreement (clause 9.2), Zakat and income tax charge is recoverable from respective shareholders. Therefore, in respect of this clause, Zakat and tax expense of SR 25.76 million pertaining to year 2023 is treated as deemed dividend and adjusted against dividend payments in year 2024.

**27. FINANCIAL RISK MANAGEMENT**

The Company's principal financial liabilities are long term financing, derivatives, accounts payable and accrued expenses. The main objectives of these financial instruments are to raise the funding primarily for construction of the plant as well as for the working capital requirement of the Company.

The Company also has financial assets in the form of cash and cash equivalents, trade and other receivables, which are integral and directly derived out of its regular business.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out & monitored by senior management.

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**27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. As at 31 December 2024, no significant concentrations of credit risk were identified by the management. The Company's maximum credit risk exposure is the carrying value of the financial assets as appearing on the statement of financial position.

The contractual maturities of the financial assets of the Company as at 31 December are as follows:

	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>31 December 2024</b>						
<b>Non-derivative financial assets</b>						
Net investment in finance lease	-	134,624	492,803	3,239,806	77,467	3,944,700
Trade receivables	-	202,537	-	-	-	202,537
Due from a related parties	-	4,687	-	-	-	4,687
Other financial assets	-	2,968	-	-	-	2,968
Bank Balances and short term deposits	8,728	264,000	-	-	-	272,728
	<b>8728</b>	<b>608,816</b>	<b>492,803</b>	<b>3,239,806</b>	<b>77,467</b>	<b>4,427,620</b>
<b>Derivative financial assets</b>						
Interest rate swaps used for hedging	-	13,440	5,968	8,526	-	27,934

The cash flows disclosed in the above table in respect of derivatives represent contractual undiscounted cash flows relating to derivative financial assets held for risk management purposes and which are not usually closed out before contractual maturity.

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**27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>31 December 2023</i>						
<i>Non-derivative financial assets</i>						
Net investment in finance lease	-	110,472	412,067	3,891,389	82,194	4,496,122
Trade receivables	-	204,603	-	-	-	204,603
Due from a related parties	-	4,863	-	-	-	4,863
Other financial assets	-	8,309	-	-	-	8,309
Bank Balances and short term deposits	11,637	312,625	-	-	-	324,262
	<u>11,637</u>	<u>640,872</u>	<u>412,067</u>	<u>3,491,389</u>	<u>82,194</u>	<u>5,038,159</u>
	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>Derivative financial assets</i>						
Interest rate swaps used for hedging	-	18,194	20,242	10,774	-	49,210

**Net investment in finance lease**

Finance lease receivable represent receivable of from the off-taker in accordance with the Power and Water Purchase Agreements (“PWPA”). Credit risk attached to the finance lease receivable is limited due to the strength of appropriate credit rating of off-taker.

**Trade receivables**

The Company’s exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of customer. The Company’s only customer is a related party (SWPC) and the sales revenue and receivable amount is set as per PWPA. The Company believes that the credit risk associated with this receivable is very low as SWPC is a limited liability entity owned by ministry of finance.

**Due from other related parties**

Due from related parties includes receivables from associate companies. Credit risk attached to due from other related parties is not significant and the Company expects to recover these fully at their stated carrying amounts.

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**27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

**Other financial assets**

Other financial assets includes accrued interest on term deposits, custom duty refundable, advances to employees and other receivables. There is no credit risk attached to advances to employees. Credit risk attached to other financial instruments is not considered significant and the Company expects to recover these fully at their stated carrying amounts.

**Cash at bank and short term bank deposits**

Credit risk on bank balances and short term bank deposits are limited as these are held with banks with sound credit ratings.

**Liquidity risk**

Liquidity risk is the risk that the Company will 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 Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Company's reputation. Accordingly, the Company ensures that sufficient funding from related parties and bank facilities are available at all times.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>31 December 2024</b>					
<i>Non-derivative financial liabilities</i>					
Long term financing	308,457	374,702	1,476,467	-	2,159,626
Accounts payable	20,646	-	-	-	20,646
Accrued expenses and other liabilities	106,323	-	-	-	106,323
	<u>435,426</u>	<u>374,702</u>	<u>1,476,467</u>	-	<u>2,286,595</u>
	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>31 December 2023</b>					
<i>Non-derivative financial liabilities</i>					
Long term financing	360,590	349,907	2,282,574	-	2,993,071
Accounts payable	19,660	-	-	-	19,660
Accrued expenses and other liabilities	108,028	-	-	-	108,028
	<u>488,278</u>	<u>349,907</u>	<u>2,282,574</u>	-	<u>3,120,759</u>

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**27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

The interest payments on variable interest rate loans included in the long term financing in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rate changes.

**Market risk**

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates, will affect the Company's income or cash flow. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company uses derivatives to manage market risks. All such transactions are carried out in accordance with Company policies and practices. Generally, the Company seek to apply hedge accounting to manage volatility in profit or loss.

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is currently on a fixed parity with the US Dollar, the management believes that the Company does not have any significant exposure to currency risk.

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest bearing liabilities, which primarily comprise term loans with floating interest rates. The Company manages its interest rate risk by entering into hedging contracts for most of its floating rate long-term loans. At the year end, the Company has no significant exposure to interest rate risk as most of its floating cash flows on liabilities are hedged.

The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows:

	2024	2023
<i>Fixed rate instruments</i>		
Financial liabilities		
Long-term financing	--	--
<i>Variable rate instruments</i>		
Financial liabilities		
Long-term financing	1,864,314	2,429,984
Interest rate swaps – notional amounts	(951,712)	(1,435,775)
	912,602	994,209

The Company does not account for any fixed rate financial assets or financial liabilities at fair value and therefore, the Company is not exposed to interest rate risk relating to fixed interest rate loans.

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**27. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Interest rate risk (continued)**

**Sensitivity analysis**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant

	Profit or loss	
	'100 bps increase	'100 bps decrease
<i>31 December 2024</i>		
Variable rate financial liabilities	(18,643)	18,643
Interest rate swaps	9,517	(9,517)
Net sensitivity	<u>(9,126)</u>	<u>9,126</u>
<i>31 December 2023</i>		
Variable rate financial liabilities	(24,300)	24,300
Interest rate swaps	14,358	(14,358)
Net sensitivity	<u>(9,942)</u>	<u>9,942</u>

**Derivative assets 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.

	<i>Carrying amount</i>	<i>Total</i>	<i>Profit or loss 12 months or less</i>	<i>More than one year</i>
<i>31 December 2024</i>				
<i>Interest rate swaps</i>				
Assets	<u>25,684</u>	<u>25,684</u>	<u>18,263</u>	<u>7,421</u>
<i>31 December 2023</i>				
<i>Interest rate swaps</i>				
Assets	<u>49,210</u>	<u>49,210</u>	<u>38,436</u>	<u>10,774</u>

**28. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 principal or the most advantageous market must be accessible by the Company.

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.

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**28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized in to different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable input).

The following table shows an analysis of financial instruments which are either measured at fair value in the financial statements or else where their fair value is different to carrying value by their level of fair value hierarchy.

	<i>Carrying amount</i>	<i>Fair Value</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<b><i>As at 31 December 2024</i></b>					
<i>Financial assets</i>					
Fair value of derivatives	<b>25,684</b>	-	<b>25,684</b>	-	<b>25,684</b>
<b><i>As at 31 December 2023</i></b>					
<i>Financial assets</i>					
Fair value of derivatives	49,210	-	49,210	-	49,210

Fair value of other financial instruments have been assessed by management to be approximate to the carrying amounts due to frequent re-pricing or their short term nature.

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Valuation technique and significant unobservable inputs

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

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**29. SHAREHOLDERS' SHARE IN EQUITY**

The share of the shareholders in the Company's equity is as follows:

	<i>Saudi Malaysian water and electricity Company</i>	<i>Water and Electricity holding Company</i>	<i>Saudi Electricity Company</i>	<i>Total</i>
<b>31 December 2024</b>				
Share capital	<b>936,300</b>	<b>499,360</b>	<b>124,840</b>	<b>1,560,500</b>
General reserve	<b>197,719</b>	<b>105,450</b>	<b>26,362</b>	<b>329,531</b>
Retained earnings	<b>259,754</b>	<b>284,978</b>	<b>72,403</b>	<b>617,135</b>
Other reserves	<b>(20,184)</b>	<b>(11,939)</b>	<b>(2,984)</b>	<b>(35,107)</b>
	<b>1,373,589</b>	<b>877,849</b>	<b>220,621</b>	<b>2,472,059</b>
<b>31 December 2023</b>				
Share capital	936,300	499,360	124,840	1,560,500
General reserve	182,739	97,461	24,365	304,565
Retained earnings	299,487	305,546	77,411	682,444
Other reserves	(7,483)	(4,412)	(1,102)	(12,997)
	1,411,043	897,955	225,514	2,534,512

**29.1** Related zakat and tax for Saudi and non-Saudi Shareholder duly adjusted as per their effective shareholding in the Company.

**30. SUBSEQUENT EVENTS**

Subsequent to the reporting date, the Company has commenced the decommissioning of its plant. This is in line with the amended and restated PWPA. The Company will continue to receive capacity payments and output payments from the off-taker up to decommissioning date and capacity payments from the date of decommissioning till the end of the term of amended and restated PWPA i.e. 14 January 2030 and hence the decommissioning is not expected to impact the Company's ability to continue as a going concern. Based on the stated facts, this event has been considered as non-adjusting event. Apart from this, no event has occurred up to the date of the approval of these financial statements by the Board of Directors of the Company which could materially affect the financial statements and the related disclosures for year ended 31 December 2024.

**31. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 12<sup>th</sup> Ramadan 1446H, corresponding to 12<sup>th</sup> March 2025.