Public Investment Fund and its subsidiaries

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report on Special Purpose Consolidated Financial Statements

To the Board of Directors of Public Investment Fund

Qualified Opinion

We have audited the special purpose consolidated financial statements of Public Investment Fund ("the Fund") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the special purpose consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects on the corresponding figures for the year ended 31 December 2020 of the matters described in the Basis for Qualified Opinion section of our report, the accompanying special purpose consolidated financial statements are prepared, in all material respects, in accordance with the basis of preparation described in Note 2 to the special purpose consolidated financial statements.

Basis for Qualified Opinion

1- In the Group's consolidated statement of cash flows for the year ended 31 December 2020, the impact of certain intercompany transactions relating to working capital movements during the year, were not considered due to non-availability of the relevant information from underlying subsidiaries. As a result, we were unable to determine whether any adjustments were required within the reported movements in working capital, without affecting the "net cash from operating activities."

2- The Group has defined Key Management Personnel under International Accounting Standards (IAS) 24 "Related Party Disclosures" to include members of the Board of Directors and their close family members, members of Board Level Committees' and their close family members and members of Management Level Committees' and their close family members. Balances and transactions associated with members of the Board of Directors, members of Board Level Committees', and their close family members were not identified as at and for the year ended 31 December 2020. As a result, we were unable to obtain sufficient appropriate audit evidence as to the completeness of the information with respect to the related party relationships and the disclosures as required by IAS 24 "Related Party Disclosures", and the consequential impact, if any, of the same on the special purpose consolidated financial statements as at and for the year ended 31 December 2020.

   Our audit opinion on the special purpose consolidated financial statements for the year ended 31 December 2020 dated 28 February 2022 was modified accordingly due to the above-mentioned matters. Our opinion on the current period's special purpose consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current period's figures and the corresponding figures.

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 special purpose 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 special purpose 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 qualified opinion.

Independent Auditor's Report on Special Purpose Consolidated Financial Statements

To the Board of Directors of Public Investment Fund (continued)

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared for the purpose of inclusion in the debt offering document of the Fund. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other matter

The balances as of 1 January 2020 in the accompanying special purpose consolidated financial statements are unaudited.

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

Management is responsible for the preparation of the special purpose consolidated financial statements in accordance with the basis of preparation described in Note 2 to the special purpose consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose 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 of Directors, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose 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 special purpose 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.

Independent Auditor's Report on Special Purpose Consolidated Financial Statements

To the Board of Directors of Public Investment Fund (continued)

Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements (continued)

- 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 special purpose 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Public Investment Fund ("the Fund") and its subsidiaries ("the Group").

KPMG Professional Services

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KPMG Professional Services

Khalil Ibrahim Al Sedais
License No: 371

Riyadh on: 28 August 2022
Corresponding to: 1 Safar 1444H

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**165,502**	143,284
Mine properties	6	**11,688**	10,672
Intangible assets	7	**68,492**	17,740
Right-of-use assets	8	**10,049**	8,722
Investment properties	9	**37,105**	24,588
Investments in associates and joint ventures	10	**118,470**	116,523
Deferred tax assets	11	**881**	846
Inventories	12	**877**	195
Derivatives	13	**8,667**	9,373
Promissory notes	14	**188,553**	217,151
Investment securities	15	**759,927**	548,643
Other non-current assets	16	**24,219**	43,428
Financing and advances	17	**505,103**	354,655
Cash and deposits with banks and other financial institutions	18	**1,263**	13,631
		1,900,796	**1,509,451**
Current assets			
Inventories	12	**11,669**	8,808
Derivatives	13	**1,269**	207
Promissory notes	14	**33,750**	18,750
Trade receivables	19	**54,330**	31,765
Investment securities	15	**160,238**	166,841
Other current assets	16	**56,292**	34,466
Financing and advances	17	**30,259**	28,099
Cash and deposits with banks and other financial institutions	18	**285,262**	258,109
		633,069	**547,045**
Assets classified as held for sale	20	**5,204**	3,303
		638,273	**550,348**
TOTAL ASSETS		**2,539,069**	**2,059,799**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
EQUITIES AND LIABILITIES			
Equity			
Capital contribution	21	**364,673**	364,673
Additional capital contribution	21.1	**315,281**	288,813
Retained earnings		**595,579**	486,534
General reserves	21.3	**30,589**	30,589
Other reserves	21.4	**25,033**	12,995
Equity attributable to owner of the Fund		**1,331,155**	**1,183,604**
Non-controlling interests	23	**172,617**	91,206
Total equity		**1,503,772**	**1,274,810**
Liabilities			
Non-current liabilities			
Employees' benefits	24	**10,413**	8,898
Deferred tax liabilities	11	**1,797**	1,155
Provisions	25	**3,977**	2,981
Loans and borrowings	26	**140,329**	117,546
Lease liabilities	27	**8,151**	7,375
Deferred government grants	28	**3,373**	3,947
Derivatives	13	**14,702**	11,687
Customer deposits	30	**305,025**	191,999
Trade and other payables	29	**7,140**	11,207
		494,907	**356,795**
Current liabilities			
Employees' benefits	24	**51**	37
Provisions	25	**9,759**	5,625
Loans and borrowings	26	**109,012**	79,087
Lease liabilities	27	**2,468**	1,655
Deferred government grants	28	**581**	31
Derivatives	13	**1,480**	827
Trade and other payables	29	**109,674**	80,265
Customer deposits	30	**298,356**	255,224
Zakat and income tax	11	**4,996**	4,296
		536,377	**427,047**
Liabilities directly associated with assets classified as held for sale	20	**4,013**	1,147
		540,390	**428,194**
Total liabilities		**1,035,297**	**784,989**
TOTAL EQUITY AND LIABILITIES		**2,539,069**	**2,059,799**

These special purpose consolidated financial statements were approved by Board of directors on 27 Dhual-Hijja 1443H (corresponding to 26 July 2022) and signed on its behalf by:

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 50 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
CONTINUING OPERATIONS			
Revenue	31	**228,239**	179,040
Cost of revenue	32	**(82,220)**	(66,662)
Other operating income, net	33	**7,647**	2,530
Selling and distribution expenses	34	**(6,976)**	(6,221)
Administrative expenses	35	**(63,622)**	(31,725)
Net impairment losses on financial assets	39	**(6,236)**	(4,691)
Share of profit of associates and joint ventures, net	10	**8,635**	4,852
OPERATING PROFIT		**85,467**	**77,123**
Other finance costs	36	**(2,543)**	(3,596)
Other finance income	37	**7,031**	5,945
PROFIT BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		**89,955**	**79,472**
Zakat and income tax expense	11	**(4,197)**	(3,349)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**85,758**	**76,123**
DISCONTINUED OPERATIONS			
Profit after zakat and income tax for the year from discontinued operations	20	(31)	145,124
PROFIT FOR THE YEAR		**85,727**	**221,247**
Attributable to:			
Owner of the Fund		81,787	212,723
Non-controlling interests		3,940	8,524
		85,727	**221,247**

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
Profit for the year		**85,727**	**221,247**
Other Comprehensive Income			
Other comprehensive income/(loss) that may be reclassified to in subsequent periods (net of tax):			
Net gain (loss) on hedge of a net investment – change in fair value		**-**	(4)
Foreign currency translation differences of foreign operations		**(1,633)**	(1,049)
Foreign currency translation differences of foreign operations transferred to profit or loss		**35**	-
Cash flow hedges – effective portion of changes in fair value		**(84)**	(117)
Cash flow hedges – reclassified to profit or loss		**92**	(31)
Net gain (loss) on debt instruments measured at FVOCI – change in fair value		**(365)**	1,364
Amount of debt instruments measured at FVOCI reclassified to profit or loss upon derecognition		**(596)**	(494)
Other comprehensive loss from discontinued operations	20	**-**	(1,083)
Share of other comprehensive loss of associates and joint ventures	10	**670**	(532)
Share of other comprehensive income (loss) of associates and joint ventures transferred to profit or loss	10	**152**	-
Reclassification of OCI losses on deemed disposal of an associate to profit or loss		**43**	-
		(1,686)	**(1,946)**
Net other comprehensive income / (loss) that will not be reclassified to statement of income in subsequent periods (net of tax):			
Net gain (loss) on equity instruments designated at fair value through other comprehensive income		**11,337**	15,593
Remeasurement gain (loss) on employees' defined benefits obligation		**358**	(730)
Remeasurement loss on employees' defined benefits obligation from discontinued operations	20	**-**	(2)
Share of other comprehensive loss of associates and joint ventures	10	**(210)**	(408)
		11,485	**14,453**
Total other comprehensive income for the year		**9,799**	**12,507**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**95,526**	**233,754**
Attributable to:			
Owner of the Fund		**92,794**	225,488
Non-controlling interests		**2,732**	8,266
		95,526	**233,754**

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 50 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

		Attributable to the Owner of the Fund							
	Notes	*Capital contribution*	*Additional capital contribution*	*General Reserves*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2021		**364,673**	**288,813**	**30,589**	**12,995**	**486,534**	**1,183,604**	**91,206**	**1,274,810**
Profit for the year		-	-	-	-	81,787	**81,787**	3,940	**85,727**
Other comprehensive income		-	-	-	**11,007**	-	**11,007**	(1,208)	**9,799**
Total comprehensive income		-	-	-	**11,007**	**81,787**	**92,794**	**2,732**	**95,526**
Capital contribution	21	-	26,468	-	-	-	**26,468**	-	**26,468**
Dividend paid		-	-	-	-	(3,210)	**(3,210)**	(7,361)	**(10,571)**
Acquisition and disposal of subsidiary		-	-	-	-	-	-	501	**501**
Changes in ownership interests in subsidiaries that do not result in a loss of control and capital contributed by non-controlling interests		-	-	-	244	31,537	**31,781**	82,134	**113,915**
Exercise of share based options		-	-	-	-	-	-	1,475	**1,475**
Employees' share based payments plan reserve - charged to profit or loss		-	-	-	-	117	**117**	137	**254**
Reclassification of FVOCI reserve to retained earning		-	-	-	982	(982)	-	-	-
Tier 1 sukuk issued	23(a)	-	-	-	-	-	-	4,688	**4,688**
Tier 1 sukuk called	23(a)	-	-	-	-	-	-	(2,700)	**(2,700)**
Tier 1 sukuk related cost		-	-	-	-	(109)	**(109)**	(294)	**(403)**
Other movements, net		-	-	-	(195)	(95)	**(290)**	99	**(191)**
At 31 December 2021		**364,673**	**315,281**	**30,589**	**25,033**	**595,579**	**1,331,155**	**172,617**	**1,503,772**

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

		Attributable to the Owner of the Fund							
	Notes	*Capital contribution*	*Additional capital contribution*	*General Reserves*	*Other reserves*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2020 (unaudited)		**364,673**	**111,449**	**30,589**	**(2,753)**	**295,571**	**799,529**	**86,255**	**885,784**
Profit for the year		-	-	-	-	212,723	**212,723**	8,524	**221,247**
Other comprehensive income		-	-	-	12,882	(117)	**12,765**	**(258)**	**12,507**
Total comprehensive income		-	-	-	**12,882**	**212,606**	**225,488**	**8,266**	**233,754**
Capital contribution	21	-	177,364	-	-	-	**177,364**	46	**177,410**
Dividend paid		-	-	-	-	(24,000)	**(24,000)**	(4,508)	**(28,508)**
Deemed dividend		-	-	-	-	(221)	**(221)**	-	**(221)**
Acquisition of subsidiary		-	-	-	-	-	-	407	**407**
Net movements in NCI		-	-	-	-	-	-	(217)	**(217)**
Other adjustments in associates and joint ventures	10	-	-	-	-	3,666	**3,666**	-	**3,666**
Tier 1 sukuk issued	23(a)	-	-	-	-	-	-	2,200	**2,200**
Tier 1 sukuk called	23(a)	-	-	-	-	-	-	(1,000)	**(1,000)**
Tier 1 sukuk related cost		-	-	-	-	(100)	**(100)**	(243)	**(343)**
Bargain gain		-	-	-	-	711	**711**	-	**711**
Transfer on disposal of subsidiary		-	-	-	2,866	(1,699)	**1,167**	-	**1,167**
At 31 December 2020		**364,673**	**288,813**	**30,589**	**12,995**	**486,534**	**1,183,604**	**91,206**	**1,274,810**

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 50 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
OPERATING ACTIVITIES			
Profit before zakat and income tax from continuing operations		89,955	79,472
Profit before zakat and income tax from discontinued operations		(31)	145,140
		89,924	**224,612**
Adjustments to reconcile profit before zakat and income tax to net cash flows:			
Depreciation and impairment of mine properties, PPE, investment properties, intangible assets and right-of-use assets	5,6,7,8,9	21,155	20,256
Net loss on disposal of mine properties, PPE, biological assets, investment properties, intangible assets and right-of-use assets		316	115
Impairment loss and amortisation of contract costs and contract assets		528	805
Impairment charge on financial assets, net	39	6,236	4,691
Impairment charge/(reversal) on associates	33	512	(639)
Impairment charge on other assets		-	197
Net loss/ (gain) on disposal of assets and liabilities classified as held for sale		52	(147,681)
Net (gain) / loss from sale of investment in associates and joint ventures		(7,449)	(648)
Amortisation of premium on non-trading financial instruments, net		617	191
Net (gain)/loss on sale of Non - FVTPL financial instruments		(2,604)	(873)
Net (income)/loss from fair value changes in financial instruments measured at FVTPL		(56,409)	(42,429)
Realized (gain) on redemption / disposal of investments measured at FVTPL, net		(4,587)	(2,718)
Other finance income [non-banking and non-investment operations]		(7,031)	(10,817)
Other finance costs [non-banking and non-investment operations]		2,543	3,596
Other income		(1,191)	(275)
Share of profit of associates and Joint ventures - net	10	(8,635)	(4,852)
Acquisition related transaction costs	35	20,908	-
Share of loss of disposed subsidiary		-	2,153
Provision for slow moving and obsolete inventories		385	30
Provision for employees' benefit obligations	24	1,238	1,136
Amortisation of deferred government grants		(2,053)	(61)
Other provision made during the year		(431)	(333)
Net foreign exchange differences		205	184
Net cash (outflow) inflow from operating activities from discontinued operations		-	(97)
Others		2,514	(794)
		56,743	**45,749**
Changes in:			
Increase in inventories		(2,645)	(875)
Decrease in trade receivables		(21,033)	3,425
Decrease in biological assets		-	20
Increase in other assets		(9,435)	(11,741)
Increase in financing and advances [banking operations]		(20,993)	(79,661)
Increase in statutory deposits [banking operations]		(98)	(3,385)
Decrease in due from bank and other financial institutions with original maturity over three months [banking operations]		(319)	1,475
Increase in trade and other payables		10,904	10,786
(Decrease)/Increase in customer deposits and Islamic customer deposits [banking operations]		(24,249)	63,572
Increase in due to banks and other financial institutions [banking operations]		22,860	14,623
Fair value of derivatives, net		2,099	1,641
Increase in held at FVTPL investments [banking operations]		(2,169)	3,279
Other changes		458	3,879
		12,123	**52,787**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	*2021*	*2020*
OPERATING ACTIVITIES (continued)			
Other items within operating activities			
Other finance costs paid [non-banking and non-investment operations]		(5,693)	(3,519)
Other finance income received [non-banking and non-investment operations]		5,735	8,141
Purchase of investment securities [investment operations]		(180,127)	(267,253)
Proceeds from disposal/redemption of investment securities [investment operations]		161,121	125,373
Employees' end of service benefits paid	24	(755)	(971)
Other provisions paid during the year	25	(705)	(625)
Zakat and income tax paid	11	(3,242)	(2,522)
Net cash used in operating activities		**(11,543)**	**(88,589)**
INVESTING ACTIVITIES			
Purchase of mine properties, PPE, intangible assets and investment properties	5,6,7,9	(42,619)	(31,132)
Proceeds from sale/ disposal of mine properties, PPE, intangible assets and investment properties	5,7	585	254
Acquisition of subsidiaries - net of cash acquired		23,000	(294)
Tier 1 Sukuk acquired		-	2,000
Proceeds from disposal of subsidiaries		112	25,461
Investments made in associates and joint ventures		(5,226)	(5,151)
Proceeds from disposal of investments in associates and joint ventures		185	761
Dividends received from associates and joint ventures		4,364	1,694
Purchase of investment securities [non-banking and non-investment operations]		(28,260)	(21,205)
Purchase of investment securities (other than held at FVTPL) [banking operations]		(78,895)	(53,254)
Proceeds from sale of investment securities [non-banking and non-investment operations]		19,664	12,385
Proceeds from sale of investments made in investment securities (other than held at FVTPL) [banking operations]		50,397	41,766
Net movement in deposits with banks and other financial institutions with original maturity of more than 3 months [non-banking operations]		3,644	31,266
Movement in restricted cash balance, net		(99)	(38)
Loans given to associate and joint ventures		(982)	-
Loans repaid by associate and joint ventures [non-banking operations]		921	-
Loans and advances given to third parties [non-banking operations]		(1,091)	-
Loans and advances repaid by third parties [non-banking operations]		18,403	-
Dividends received from disposed subsidiaries		-	4,653
Net cash outflow from investing activities for discontinued operations		-	(24)
Other investing activities		(242)	94
Net cash used in /from investing activities		**(36,139)**	**9,236**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

(All amounts in million SAR unless otherwise stated)

	Notes	2021	2020
FINANCING ACTIVITES			
Capital contribution by shareholders		20,107	177,364
Dividends paid to shareholders		(3,210)	(24,000)
Gross proceeds from borrowings (Non-banking operations)	26	17,452	9,782
Repayment of borrowings (Non-banking operations)		(10,333)	(49,043)
Payment of principal portion of lease liabilities	27	(1,965)	(1,477)
Proceed from debts issued and other borrowed funds [Banking operation]	26	16,089	13,055
Repayment of debts Issued and other borrowed funds [Banking operation]		(15,307)	(4,958)
Repayment of Tier 1 Capital instruments		(2,700)	(1,000)
Issuance of Tier 1 Capital instruments		4,688	2,200
Interest on Tier 1 Capital instruments		(403)	(343)
Receipts from Government grants	28	1,976	748
Acquisition of non-controlling interests		(9)	(441)
Contribution from non-controlling interests		60	300
Dividends paid to non-controlling interests		(7,218)	(4,494)
Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control		20,090	-
Proceeds from reverse capitalisation		16,877	-
Payment made on behalf of the Owner		-	(1,063)
Net cash inflow from financing activities for discontinued operations		-	150
Others		(1,567)	5,570
Net cash flow from financing activities		**54,627**	**122,350**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,945**	**42,997**
Net foreign exchange differences		(746)	(47)
Cash and cash equivalents at the beginning of the year		213,353	170,403
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**219,552**	**213,353**

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

1. ACTIVITIES

The Public Investment Fund ("PIF" or the "Fund") was established on 25 Jumada Al-Thani 1391H (corresponding to 18 August 1971G) by virtue of Royal Decree No. M/24. The Fund was established with the aim of funding key projects and companies and providing financial support to initiatives of strategic importance to the national economy and operated as an administrative department of the Ministry of Finance and National Economy with the authority to carry out functions for which it was established.

Pursuant to Royal Decree No. M/62 dated 4 Shawal 1435H (corresponding to 31 July 2014G) PIF was further authorized to invest in existing companies or to establish new companies, within or outside of the Kingdom of Saudi Arabia, either alone or in partnership with third parties from the public or private sectors.

On 3 Jumada Al-Thani 1436H (corresponding to 23 March 2015G), the Council of Ministers' issued its Resolution No. 270, moving PIF's stewardship from the Ministry of Finance to the Council of Economic and Development Affairs ("CEDA") with His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, Crown Prince, Deputy Prime Minister, and Chairman of CEDA, becoming the Chairman of PIF's board.

PIF's major source of funding include capital injections in cash or in kind from the Government of the Kingdom of Saudi Arabia (the "Owner" or the "Government").

The Public Investment Fund is developing a portfolio of domestic and international investments, diversified across sectors, geographies and asset classes. PIF acts as a holding entity for its core investments (i.e. subsidiaries). The details and the principal activities of direct subsidiaries are disclosed in Note 43.

The Group's banking operations comprise of retail banking, corporate banking, investment banking services, treasury and asset management, and are referred to as 'Banking Operations'. The Group's Banking Operations and its real estate refinancing activities are collectively referred to as 'Banking and Financing Operations'.

Office address of PIF is MU04, Al Taqneeyah Road, Al Raidah Digital City, Al Nakheel District, P.O.Box 6121, Riyadh 11442 – Kingdom of Saudi Arabia.

These special purpose consolidated financial statements of PIF and its subsidiaries (together referred to as the "Group") have been approved and authorized for issue by the Board of directors of PIF on 27 Dhual-Hijja 1443H (corresponding to 26 July 2022G).

2. BASIS OF PREPARATION

2.1 Statement of compliance

These special purpose consolidated financial statements comprises the consolidated statement of financial position as at 31 December 2021 and the comparative consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended at 31 December 2021 and the comparative consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended at 31 December 2020, and notes thereto, including summary of significant accounting policies and other explanatory information ("special purpose consolidated financial statements"). These special purpose consolidated financial statements are prepared in accordance with the accounting policies set out in Note 3 and for the purpose of inclusion in a debt offering document.

The application and adoption of these policies results in following material departures from IFRS as endorsed in KSA.

(All amounts in million SAR unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

Sr. No.	Reference of IFRS endorsed in KSA	Departures
1	IFRS 1 - First Time Adoption of IFRS; and IFRS 3 – Business combination	In presenting the consolidated statement of financial position as at 31 December 2020 in this special purpose financial statements, the group has used the opening statement of financial position as it would be prepared for the purpose of preparing a complete set of first IFRS financial statements for the year ending 31 December 2022. Accordingly, applicable exemptions under IFRS 1 have been applied as at 31 December 2020. This has resulted in following material departures from IFRS1 requirements: — The Group has not complied with the requirements of IFRS 1 as of 01 January 2020 and three statements of financial position have not been presented; and — For all the business acquisitions up to 31 December 2020, the Group has not applied the requirements of IFRS 3. Accordingly, the Group has calculated the amount of goodwill on consolidation of previously unconsolidated subsidiaries as at 31 December 2020 being the difference between: o the cost of the investment of subsidiaries; and o the Fund's interest in carrying amount of net assets of the subsidiaries based on their IFRS financial statements as at 31 December 2020. If the cost of the investment in subsidiaries is lower than the proportionate share in carrying amount of net assets, the difference is recognised in the retained earnings as bargain purchase gain. Accordingly, as at 31 December 2020, the Group has recognised goodwill of SAR 2,684 million and a bargain purchase gain of SAR 711 million. Cost of investment in subsidiaries is the actual amount of investments including transaction costs. This is adjusted for the Group's share of net assets of the subsidiaries as at 31 December 2020, dividend earned up to 31 December 2020 and accumulated impairment losses up to 31 December 2019, if any.

2.2 Functional and presentation currency

The special purpose consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the Group's functional currency, being the currency of the primary economic environment in which it operates. All amounts have been rounded to the nearest million SAR, unless otherwise indicated.

2.3 Accounting convention

The special purpose consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for, derivative financial instruments and certain financial assets measured at fair value, assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, parcel of lands received from the government that are measured at nominal value and employee defined benefit liability as it is recognized at the present value of future obligations using projected unit credit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these special purpose consolidated financial statements are consistent with those used in the preparation of the special purpose consolidated financial statements as of and for the year ended 31 December 2020 except for the below new IFRS amendments issued and adopted by the Group, which have no significant impact on the Group's special purpose consolidated financial statements

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16, 'Leases', Covid 19 - Related rent concessions

3.1 Basis of consolidation

The special purpose consolidated financial statements comprise the financial statements of PIF and its subsidiaries (the "Group") for the years ended 31 December 2021 and 31 December 2020. Subsidiaries are entities controlled by the Group. The list of Group's direct subsidiaries, joint operations, associates and joint ventures is provided in Notes 43 and 10.

The Group controls an investee if and only if the Group has all of the following:

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

Generally, there is a presumption that a majority of voting rights results in control. In support of this assumption, when the Group has less than a majority of the voting rights or similar rights in the investee, the Group takes into consideration all relevant facts and circumstances when determining whether it exercises control over the investee, including:

- Contractual arrangement(s) with other voting rights holders in the investee company;
- Rights arising from other contractual arrangements; and
- Group's voting rights and potential voting rights.

Special Purpose Vehicles ("SPVs") are entities that are created to accomplish a well-defined objective; for instance, the investment in particular asset, fund or a project, or the execution of a specific borrowing or lending transaction. These circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPV.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above.

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 (or derecognized) in the special purpose consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated.

Profit or loss and each component of other comprehensive income are attributed to the equity holder of PIF and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holder of PIF and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the ownership interest in 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 related assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of non-controlling interest and other components of equity while any resultant gain or loss is recognized in the consolidated statement of profit or loss; and
- recognizes any investment retained at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statement of profit or loss as administrative expenses.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statement of profit or loss.

For the special purpose consolidated financial statements, the Fund has not applied IFRS 3 to either acquisitions of subsidiaries that are considered businesses under IFRS 3 or acquisition of interests in associates and joint ventures that occurred before 31 December 2020 since Group has availed the exemption under IFRS 1 as explained in note 2.1. Accordingly, the Fund has calculated Goodwill or bargain gain as the difference between the cost of investment of subsidiaries and the Fund's interest in carrying amount of net assets the subsidiaries based on their IFRS financial statements as at 31 December 2020.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and the fair value at the acquisition-date of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

3.2 Common control transactions

Transactions involving entities under common control of the Owner, where the transaction has economic substance are accounted for using the acquisition method. For transactions involving entities under common control of the Owner, where the transaction does not have any economic substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted to comply with Group accounting policies), are used to account for these transactions. The special purpose consolidated financial statements of the combined entities are presented as if the business had been combined from the date when the combining entities were first brought under common control without restating and presenting the prior period. No goodwill is recognized as a result of the transfer. The only goodwill recognized is any pre-existing goodwill that existed in the combining entities. Any difference between the consideration paid and the net assets acquired is reflected within equity. Any transaction cost paid for acquisition is recognized directly in equity.

Disposals of interest in entities to parties under common control of the Owner, which lack economic substance and are based on a decision by the Owner are accounted for on the date of transfer without restatement of prior years. Any gain or loss arising on such transaction is recorded directly in equity.

When disposals of interest in entities to parties under common control of the Owner have economic substance, the difference between the fair value of the consideration received and the net carrying value of interest in such entities is recorded in the consolidated statement of profit or loss.

A number of factors are considered in assessing whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- the existing activities of the entities involved in the transaction; and
- whether or not the transaction brings entities together into a 'reporting entity' that did not exist before.

3.3 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence, through its investment in debt and/ or equity instruments. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost i.e. purchase price and directly attributable costs. 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 associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group’s consolidated statement of other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate 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 associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of profit or loss of associates and joint ventures is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates and joint ventures.

The financial statements of the associates or joint ventures 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the impairment loss in the consolidated statement of profit or loss.

The Group provides certain unsecured long-term loans to its associates and joint ventures, in the form of debt and/or equity instruments, the settlement of which is neither planned nor likely to occur in the foreseeable future. These debt or equity instruments, in substance, represent investment in associates and joint ventures and are treated as long term interests.

The Groups applies IFRS 9 Financial Instruments to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long term interests). While applying this, the Group does not take into account any losses of the associate or joint venture, or any impairment losses on net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Losses recognized using the equity method in excess of the Group’s investment in equity are offset against the Group’s long-term interests in associate or a joint venture. When the Group’s share of losses exceeds its interest in associate or joint venture, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has a constructive or legal obligation to contribute to such losses or has made payments on behalf of the investee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment in associates and joint ventures (continued)

When the group ceases to equity account for an investment because of a loss of significant influence or joint control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss.

If the ownership interest in an associate or joint venture is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss, where appropriate.

3.4 Joint operation

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Where it undertakes its activities under 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 sale 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 operations; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the assets, liabilities, revenue and expenses.

3.5 Current vs 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 realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized 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 terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 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 principal or the most advantageous market must be accessible by the Group.

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.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (e.g., using recent arm's length market transactions adjusted as necessary with reference to the current market value of another instrument that is substantially the same) and the income approach (e.g., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The fair value of land transferred from the Government, is determined by the highest and best use of the asset for the purpose of disclosure. When calculating the fair value of land, valuation techniques that are appropriate in the circumstances are used, such as, where sufficient data are available to measure fair value the use of relevant observable input is maximized and the use of unobservable input is minimized.

The highest and best use takes into account the asset's use that is:

- physically possible − taking into account the physical characteristics that market participants would consider (for example, property location or size);
- legally permissible − taking into account the legal restrictions on the asset's use that market participants would consider (for example, planning or zoning regulations); and
- financially feasible − taking into account whether an asset's use generates adequate income or cash flows to produce an investment return that market participants would require. This should incorporate the costs of converting the asset to that 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, are categorized within the fair value hierarchy, 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 at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Mine properties and property, plant and equipment

Mine properties and property, plant and equipment (except land and assets under construction) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and assets under construction are stated at cost, net of accumulated impairment losses, if any. Cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by the management. Such cost includes:

- the purchase price;
- the cost of replacing part of the plant and equipment;
- borrowing costs for long-term construction projects if the recognition criteria are met; and
- the initial estimate of any mine closure, rehabilitation and costs incurred during the commissioning period, net of proceeds from sale of trial production.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. 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 consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) 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 statement of profit or loss 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.

(a) Telecommunication network and equipment

Cost of telecommunication network and equipment comprises all expenditures incurred up to the customer connection point, including contractors' charges, direct materials and labour costs till the date the relevant assets are placed into service.

(b) Exploration and evaluation assets

Exploration and evaluation expenditure are expensed in the year in which they are incurred.

Exploration expenditures relates to the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with:

- acquisition of the exploration rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploration drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Mine properties and property, plant and equipment (continued)

(b) Exploration and evaluation assets (continued)

Evaluation expenditures relate to the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements in relation to both production and shipping;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibilities studies.

All exploration and evaluation costs are expensed until prospective mineral exploration project is identified as having economic development potential. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the ore body. Exploration and evaluation expenditures are capitalized as a tangible asset, if management determines that future economic benefits could be generated as a result of these expenditures.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralization of such mineral deposits, is capitalized as mine development cost following the completion of an economic evaluation equivalent to a feasibility study.

All exploration and evaluation costs incurred after management has concluded that economic benefit is more likely to be realized than not, i.e. “probable” are capitalized as “Exploration and evaluation assets” only until the technical feasibility and commercial viability of extracting of the mineral resource are demonstrable. Once the technical feasibility and commercial viability is demonstrable i.e. economic benefit will or will not be realized, the asset is tested for impairment and any impairment loss is recognized.

Exploration and evaluation assets are carried at historical cost less impairment. Exploration and evaluation assets are not depreciated.

For the purposes of exploration and evaluation assets only, one or more of the following facts and circumstances are considered for identifying whether or not exploration and evaluation assets may be impaired. These include the following:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once it has been identified that an exploration and evaluation asset may be impaired, the Group performs impairment test on exploration and evaluation assets as specified in Note 3.13. Based on the final technical scope, receipt of mining license and commercial feasibility, if the economic benefit will be realized and management intends to develop and execute the mine, the exploration and evaluation asset is transferred to “Mine under construction”.

Once the commissioning phase is successfully completed and the declaration of commercial production stage has been reached, the capitalized “Mine under construction” is reclassified as “Operating mines”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Mine properties and property, plant and equipment (continued)

(c) Stripping activity asset and stripping activity expense
Group incurs stripping (waste removal) costs during the development and production stages of its open pit mining operations.

Stripping costs incurred during the development stage of an open pit mine in order to access the underlying ore deposit, are capitalized prior to the commencement of commercial production. Such costs are then amortized over the remaining life of the ore body (for which access has improved), using the unit of production ("UOP") method over economically recoverable proven and probable reserves.

Stripping activities during production stage generally creates two types of benefits being as follows:
- production of inventory; or
- improved access to a component of the ore body to be mined in the future.

Where the benefits are realized in the form of inventory produced in the period under review, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to a component of the ore body to be mined in the future, the costs are recognized as a non-current asset, referred to as a 'Stripping activity asset', provided that all the following conditions are met:
- it is probable that the future economic benefits associated with the stripping activity will be realized;
- the component of the ore body for which the access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all the conditions are not met, the production stripping costs are charged to the consolidated statement of profit or loss, as production costs of inventories as they are incurred.

The stripping activity asset is initially measured at cost, being the directly attributable cost for mining activity which improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs. Incidental operations occurring at the same time as the production stripping activity which are not necessary for the production stripping activity to continue as planned are not included in the cost of the stripping activity asset.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing mining asset, being a tangible asset (based upon the nature of existing asset) as part of mine properties. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable proven and probable reserves are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less accumulated depreciation and any impairment losses.

(d) Depreciation
Depreciation of property, plant and equipment, other than land and assets under construction, is calculated using the straight-line method over the estimated useful lives of specific assets. The depreciation method and rates applied to specific assets reflect the pattern in which the asset's benefits are expected to be used by the Group. Mine properties are depreciated using units of production ("UOP") method, based on economically recoverable proven and probable ore reserves of the mine concerned, except in the case of those mining assets whose economic useful life is shorter than the life of the mine, in which case the straight line method is applied.

Buildings and items of plant and equipment for which the consumption of economic benefit is linked primarily to utilization or to throughput rather than production, are depreciated at varying rates on a straight line basis over their economic useful lives or the life-of-mine ("LOM"), whichever is the shorter.

(All amounts in million SAR unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Mine properties and property, plant and equipment (continued)

(d) Depreciation (continued)
The following table summarises the estimated useful lives of the major asset categories of the Group:

Mine properties	Using UOP method over the economically recoverable proven and probable reserves or straight-line method over the economic useful life, whichever is shorter
Buildings and leasehold improvements	3 to 50 years
Plant, machinery and equipment	Up to 40 years
Furniture, fixtures and office equipment	2 to 20 years
Rigs	2 to 30 years
Civil works	4 to 50 years
Transportation assets*	4 to 100 years
Telecommunication network and related equipment	3 to 30 years
Heavy equipment	5 to 40 years
Fixed plant and heap leaching	4 to 40 year
Others**	2 to 50 years

* Transportation assets include rolling stock, railway stock, motor vehicles, aircraft and aircraft equipment.
** Others category includes assets not covered in any of the above categories.

Improvement to leasehold assets are amortized at the lower of estimated useful life of these asset or the lease period.

3.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- ***Right-of-use assets***
  The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

  If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

- ***Lease liabilities***
  At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

  Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

(a) Group as a lessee (continued)

- ***Lease liabilities (continued)***
  In calculating the present value of lease payments, each subsidiary uses its own incremental borrowing rate at the lease commencement date, in case the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is specific to lessee; the term of arrangement; the amount of funds borrowed; the security granted to the lessor and the economic environment.

  After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

- ***Lease modification***
  In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

- ***Short-term leases and leases of low-value assets***
  The Group applies the short-term lease recognition exemption to its short-term leases. (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

- ***Lease and non-lease components***
  The Group does not apply the practical expedient permitted by IFRS 16 for accounting of lease component and any associated non-lease components as a single lease component

(b) Group as a lessor

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an underlying asset are classified as finance leases. All other leases are classified as operating leases. Lease classification is made at the inception date and is reassessed only if there is a lease modification.

Amounts due from lessees under finance leases are recognized as receivables at the amount equal to the net investment in the leases. Finance lease income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease.

Rental income from operating leases is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term or by using another systematic basis if it is more representative of the time pattern in which the benefit of the underlying asset is diminished.

If an arrangement contains lease and non-lease components, the Group applies guidance provided in IFRS 15 – Revenue from Contracts with Customers to allocate the consideration in the contract.

When the Group is an intermediate lessor, it accounts for it interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption, the sublease shall be classified as an operating lease.

Contingent rents are recognized as revenue in the period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Borrowing costs

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

All other borrowing costs are expensed in the period in which they are incurred.

3.10 Investment properties

Real estate investments, held for long-term rental yields or for capital appreciation or both, and which is not occupied by the Group, are classified as investment properties. Investment property also includes property that is being constructed or developed for future use as investment property. Land held under operating leases is classified and accounted for by the Group as investment property where it meets the definition of investment property.

Investment properties including land are initially measured at cost, including related transaction cost. Investment properties (except land) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less impairment, if any. Such cost includes the cost of replacing part of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 5 to 50 years

An item of investment properties and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. 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 recognized in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of investments properties are reviewed at each financial year end and adjusted prospectively, if appropriate.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Intangible assets (continued)

A computer software for a computer-controlled machine tool that cannot operate without that specific software is an integral part of the related hardware and it is treated as property, plant and equipment. The same applies to the operating system of a computer. When the software is not an integral part of the related hardware, computer software is treated as an intangible asset.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising upon 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 statement of profit or loss.

(a) Research and development costs

Research costs are expensed as incurred. Development costs on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability and intention to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development costs as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete, and the asset is available for its intended use. It is amortized over the period of expected future benefit. Amortization is recorded in expense category consistent with the function of the intangible assets. During the period of development, the asset is tested for impairment annually.

The Group amortizes intangibles assets with a finite useful life using the straight-line method over their estimated useful lives as follows:

Software and licenses	2 to 20 years
Telecommunication licences	15 to 25 years
Contract intangibles	2 to 20 years
License and frequency spectrum fees	Over license period
Software and license (Mine related)	Over life of Mine
Others*	Up to 35 years

* Others category includes intangible assets not covered in any of the above categories.

3.12 Biological assets

The Group classifies growing crops and livestock as biological assets. A biological asset is measured on initial recognition and at the end of each reporting date, at its fair value less its costs to sell, except if a fair value estimate cannot be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of non-financial assets

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's ("CGU") 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 groups 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs 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.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss 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 statement of profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3.14 Financial Instruments

(a) Recognition and initial measurement

The Group recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

When the fair value of a financial asset or financial liability differs from the transaction prices on initial recognition, the Group recognizes differences as follows:

- when the fair value is evident by a quoted price in an active market for an identical asset/liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the differences is recognized as day one gain/ loss.
- in all other cases, the difference is deferred and the time of recognition of deferred day one gain or loss is determined individually.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(b) Classification and subsequent measurement

▪ ***Financial assets***

On initial recognition, a financial asset is classified as held at amortized cost, Fair Value Through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL").

The Group's financial assets include investment securities, promissory notes, trade receivables, financing and advances, derivative financial instruments, cash and deposits with banks and financial institutions and other financial assets.

i) Financial asset at amortized cost

A financial asset is measured at amortized cost, if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows (HTC); 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.

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

ii) Financial asset at fair value through other comprehensive income (FVOCI)

a. Debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); 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.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in the consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss.

b. Equity instruments

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

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

iii) Financial asset at fair value through profit or loss (FVTPL)

All financial assets not classified as held at amortized cost or FVOCI are classified as FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ ***Financial assets (continued)***

iii) Financial asset at fair value through profit or loss (FVTPL) (continued)

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss. For derivatives designated as hedging instruments, refer to Note 3.15 'Derivative financial instruments and hedge accounting' below.

Business model assessment

The Group makes an assessment of the objective of a business model under which an 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. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing 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 in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ ***Financial assets (continued)***

iii) Financial asset at fair value through profit or loss (FVTPL) (continued)

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria) (continued)
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

▪ ***Financial liabilities***
Financial liabilities other than derivatives financial instruments are classified at amortized costs.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include money market deposits, customers' deposits, term financing and other debt securities, trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

i) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

ii) Financial liabilities at amortized cost
This is the category most relevant to the Group. After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(c) Derecognition

- ***Financial assets***

  The Group derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

  On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the consolidated statement of other comprehensive income is recognized in the consolidated statement of profit or loss.

  Any cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognized in the consolidated statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

  When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

  In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the asset.

- ***Financial liabilities***

  The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(d) Modifications of financial assets and financial liabilities

- ***Financial assets***

  If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

  If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented together with the account that most closely relates to the underlying reason for the modification.

- ***Financial liabilities***

  The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(e) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortized cost and debt instruments measured at FVOCI;
- contract assets (as defined in IFRS 15);
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments. The Group measures impairment allowances either using the general or simplified approach as considered appropriate.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Under the general approach, the Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group applies a three-stage approach to measuring Expected Credit Loss ("ECL") on investments and assets held at amortized cost and undrawn loan commitments. The Group assesses on a forward-looking basis the expected credit loss. Assets migrate through the following three stages based on the change in credit quality since initial recognition. Moreover, the Group has applied practical expedient, where the Group did not have requisite information.

The Group categorises its financial assets into following three stages in accordance with the IFRS 9 methodology:

- stage 1 (12 months ECL)– 12 months ECL is recognized for financial assets with credit exposures where there has not been a significant increase in credit risk since initial recognition, and that are not credit impaired upon origination. .
- stage 2 (Lifetime ECL- not credit impaired) – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on lifetime PD.
- stage 3 (Lifetime ECL- credit impaired) – for financial assets that are impaired, the Group recognizes the impairment allowance based on lifetime ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(e) Impairment of financial assets (continued)

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows, which includes amounts recoverable from guarantees and collateral;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less cash flows that the Group expects to receive, if any.

Expected credit losses are discounted to the reporting date at the effective interest rate (EIR) determined at initial recognition or an approximation thereof and consistent with income recognition.

The key inputs into the measurement of ECL are the term structure of the following variables: Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD). Refer to Note 4 and Note 42.

(f) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(g) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired' when one or more events that have 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 past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming 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.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(g) Credit-impaired financial assets (continued)
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the investment yields;
- the country's ability to access the capital markets for new debt issuances;
- the rating agencies' assessments of creditworthiness;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

(h) Presentation of ECL in the consolidated statement of financial position
Allowances for ECL are presented in the consolidated statement of financial position as follows:

- **Financial assets measured at amortized cost**
  As a deduction from the gross carrying amount of the assets.

- **Loan commitments and financial guarantee contracts**
  Generally, as a provision; in other liabilities.

- **Financial instrument includes both a drawn and an undrawn component**
  Where the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

- **Debt instruments measured at FVOCI**
  The Group recognizes a loss allowance for financial assets that are measured at FVOCI in the consolidated statement of other comprehensive income. Allowance for ECL will not reduce the carrying amount of the financial asset in the consolidated statement of financial position. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of these financial assets.

(i) Write off
Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. 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.

Subsequent recoveries are netted off against the ECL charges.

(j) Collaterals

- ***Collateral Valuation***
  To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non- financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

  To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(j) Collaterals (continued)

- ***Collateral repossessed by the Group's banking entities***
  The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are initially stated at the lower of net realizable value of due financing and advances or the current fair value of such related assets, less any costs to sell (if material). No depreciation is charged on such assets. Subsequent to the initial recognition for assets held for sale, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value.

- ***Collateral repossessed by the external agents of the Group's banking entities***
  Some of the Group's banking entities do not physically repossess properties or other assets in their financing portfolio, but engage external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(l) Sale and repurchase agreements (including securities lending and borrowings)

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets are continued to be measured in accordance with related accounting policies for investments held as FVTPL, FVOCI, and other investments held at amortized cost. The transactions are treated as collateralized borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions" as appropriate, under loans and borrowings. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement on an effective interest rate.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognized in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and deposits with banks and other financial institutions", "borrowings" or "financing and advances" as appropriate. The difference between purchase and resale price is treated as interest income which is accrued over the life of the reverse repo agreement using the effective yield basis.

Securities borrowing and lending transactions are typically secured; collateral takes the form of securities or cash advanced or received. Securities lent to counterparties are retained on the consolidated statement of financial position. Securities borrowed are not recognized on the consolidated statement of financial position, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability. Cash collateral given or received is treated as a 'financing and advances' or customers deposit.

3.15 Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, interest rate futures, forward rate agreements, currency and effective interest rate swaps, swaptions, currency and interest rate options (both written and purchased) are measured at fair value. Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

(a) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of profit or loss for the year and are included in Revenue from banking and financing operations. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting as described below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

For the purpose of hedge accounting, hedges are classified into two categories:

- Fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability, or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and
- Cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated statement of profit or loss. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of profit or loss.

- ***Fair value hedges***

  In relation to fair value hedges, which meet the criteria for hedge accounting, any gain or loss from remeasuring the hedging instruments to fair value is recognized immediately in the consolidated statement of profit or loss. Any gain or loss on the hedged item attributable to fair value changes relating to the risks being hedged is adjusted against the carrying amount of the hedged item and recognized in the consolidated statement of profit or loss (in the same line item as the hedging instrument). Where the fair value hedge of an interest bearing financial instrument ceases to meet the criteria for hedge accounting, the adjustment in the carrying value is amortized to the consolidated statement of profit or loss over the remaining life of the instrument.

  For hedged items measured at amortized cost, where the fair value hedge of an interest bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognized, the un-amortized fair value adjustment is recognized immediately in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

▪ ***Cash flow hedges***

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other reserves under equity and the ineffective portion, if any, is recognized in the consolidated statement of profit or loss. For cash flow hedges affecting future transactions, the gains or losses recognized in other reserves, are transferred to the consolidated statement of profit or loss in the same period in which the hedged transaction affects the consolidated statement of profit or loss. However, if the Group expects that all or a portion of a loss recognized in consolidated statement of other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the consolidated statement of profit or loss as a reclassification adjustment the amount that is not to be recognized.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in other reserves from the period when the hedge was effective is transferred from equity to the consolidated statement of profit or loss when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the consolidated statement of profit or loss, the net cumulative gain or loss recognized in other reserves is transferred immediately to the consolidated statement of profit or loss.

(c) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- hybrid contract is not measured at FVTPL
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair values with all changes in fair value recognized in the consolidated statement of profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(d) Provisional price contracts

Certain of the Group’s commodity sales are provisionally priced, meaning that the final selling price is determined normally 3 to 180 days after the delivery to the customer, based on the quoted market price stipulated in the contract and as a result are susceptible to future commodity price movements.

At each reporting date, subsequent to the initial sale, the provisionally priced trade receivables are marked to market using the relevant forward market prices for the period stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely payment of principal and interest (“SPPI”) test. As a result, these receivables are measured at FVTPL from the date of recognition of the corresponding sale, with subsequent marked to market adjustments recognized in fair value gains / (losses) on provisionally priced products and the carrying amount of the outstanding trade receivable, if material. Such fair value gains (losses) on provisionally priced products are presented within revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Inventories

Inventories comprises of finished goods, work-in-process inventory, raw materials, spares and consumables.

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- raw materials, spares and consumables: purchase cost on weighted average basis;
- finished goods and work in process: cost of direct materials and labour and a proportion of mining and manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in other comprehensive income, in respect of the purchases of raw materials.

Net realisable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(a) Mining operations - Finished Goods:

Saleable finished goods are measured at the lower of cost (or unit cost of production for the period in case of commodities) or net realizable value. The unit cost of production is determined as the total cost of production divided by the saleable unit output.

Cost assigned to saleable inventories on hand at the reporting date, arising from the conversion process, is determined by the unit cost of production and comprises of:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of mining properties and leases of property, plant and equipment used in the extraction and processing of ore and the amortization of any stripping activity assets;
- direct production overheads; and
- the revenue generated from the sale of by-products is credited against production costs.

By-products are valued at net realizable value, with reference to the spot price of the commodities ruling at the reporting date.

(b) Mining operations - Work-in-process

The cost of work-in-process is determined using unit cost of production for the period based on the percentage of completion at the applicable stage and the estimated recoverable content:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore, and production activities;
- the depreciation of mining properties and leases of property, plant and equipment used in the extraction and processing of ore, and the amortization of any deferred stripping assets; and
- direct production overheads.

(c) Mining operations - Ore stockpiles

Ore stockpiles represent ore that has been extracted from the mine and considered to be of future economic benefits under current prices and is available for further processing. If the ore stockpiles are not expected to be processed in the next 12 months after the reporting date, it is included in non-current assets. Cost of ore stockpiles is determined by using the weighted average cost method. If the ore is considered not to be economically viable it is expensed immediately.

If there is significant uncertainty as to when the stockpiled ore will be processed, the cost is expensed as incurred. Where the future processing of this ore can be predicted with confidence because it exceeds the mine's cut-off grade and is economically viable, it is valued at the lower of cost of production or net realizable value. Quantities and grades of stockpiles and work-in-process are assessed primarily through surveys and assays.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Inventories (continued)

(d) Real Estate – Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV). Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- freehold and leasehold rights for land;
- amounts paid to contractors for development;
- planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

When an inventory property is sold, the carrying amount of the property is recognized as an expense in the period in which the related revenue is recognized. The carrying amount of inventory property recognized in the consolidated statement of profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

The management reviews the carrying values of the Real Estate inventories on an annual basis. The operating cycle of Real Estate inventories are expected to be realized beyond a period of 12 months from the reporting date. At each reporting date, the management categorises the Real Estate inventories as current and non-current based on their expected realization date.

(e) Agricultural inventories

Agricultural produce: The Group classifies harvested crops and finished goods as agricultural produce. The value applied to harvested produce is the market price at the time of the harvest less cost to sell the produce. A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell is recognized in the consolidated statement of profit or loss within cost of revenue.

Work-in-progress: The Group classifies the costs of land preparation in advance of planting crops as work in progress. These costs are accumulated prior to the year-end and primarily relate to the clearance of new land and the ploughing of land post-completion of the previous harvest. These costs are transferred from work in progress to biological assets at the time of planting of the crops. Work in progress includes costs of preparing agricultural land, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

3.17 Employees' home ownership programme receivable

Some subsidiaries within the Group have established an employees' home ownership programme (HOP) that offers eligible employees the opportunity to buy housing units constructed by the company through a series of payments over a particular number of years. Ownership of the housing unit is transferred to the employee upon completion of the full payment.

Under the HOP, the housing units are classified under other non-current assets as (long-term home ownership) programme receivable at their present value upon signing of the sales contract with the eligible employees. Down payments and instalments received are netted off against these receivables. The monthly instalments paid by the employee towards the housing unit are repayable back to the employee in case the employee discontinues employment to the extent of the amounts paid in addition to the monthly housing allowance and the house is returned back to the Group.

3.18 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as those amounts included in (i) cash and current accounts, (ii) balances with SAMA, excluding statutory deposits, and (iii) short-term deposits with banks and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Deemed dividend

The Group is responsible for making certain payments due to the action of the Owner. In cases, where the Group is not the owner of such assets or obligated for liabilities resulting from the Owner's action, the Group treats such payments as deemed dividend. Accordingly, such distributions are directly recognized in the consolidated statement of changes in equity.

3.20 Provisions

Provisions are recognized when the Group:
- has a present obligation (legal or constructive) as a result of a past event; and
- 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.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is recognized in the consolidated statement of profit or loss, on gross basis and reimbursement is presented separately, if any. If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 other finance costs.

(a) Restructuring provisions
Restructuring provisions are recognized only when the Group has a constructive obligation, which is when:
- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

(b) Onerous contracts
If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

(c) Provision for compensation due to expropriation
The Group recognizes provision for compensation due to expropriation; where, the Group has present obligation to bear the expropriation charges and outflow of economic benefits can be reliably measured.

3.21 Provision for decommissioning, site rehabilitation and dismantling obligations

(a) Mining operations
The mining, extraction and processing activities of the Group normally give rise to obligations for mine closure, decommissioning, site rehabilitation and plant dismantling (collectively referred to as "decommissioning site rehabilitation and dismantling obligations"). Decommissioning and site restoration work can include:
- facility decommissioning and dismantling of plant and buildings;
- removal or treatment of waste materials; and
- site and land rehabilitation.

The extent of the work required, and the associated costs are dependent on the requirements of current laws and regulations.

The full estimated cost is discounted to its present value and capitalized as part of "Mine under construction" and once it has been transferred to "Mine properties" it is then depreciated as an expense over the expected life-of-mine using the UOP method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Provision for decommissioning, site rehabilitation and dismantling obligations (continued)

(a) Mining operations (continued)

Costs included in the provision includes all decommissioning obligations expected to occur over the life-of-mine and at the time of closure in connection with the mining activities being undertaken at the reporting date. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense when the event gives rise to an obligation which is probable and capable of reliable estimation. The timing of the actual decommissioning expenditure is dependent upon a number of factors such as:

- the life-of-mine,
- developments in technology,
- the operating license conditions,
- the environment in which the mine operates and
- changes in economic sustainability.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the mine related asset. Factors influencing those adjustments include:

- revisions to estimated ore reserves, mineral resources and lives of mines,
- developments in technology,
- regulatory requirements and environmental management strategies,
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation and
- changes in economic sustainability.

(b) Others

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

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

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of profit or loss as part of other finance costs.

3.22 Contingent liabilities recognized in a business combination

A contingent liability recognized in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

3.23 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Loan commitments are the Group commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortized amount and the amount of loss allowance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Employment benefits

(a) Retirement benefit costs and end of service benefits

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

The Group's net obligation in respect to employees' end of service benefits provision is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets, if any. Employees' end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method as per (IAS 19) Employee Benefits, taking into consideration the labour law of the country in which the subsidiaries of the Group operate. The provision is recognized based on the present value of the defined benefit obligations. The present value of the defined benefit obligations is calculated using assumptions on the average salary incremental rate, average employees' years of service and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect the Group's best estimate.

The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, of the country in which the subsidiaries of the Group operate. For countries in which there is no deep market in such high-quality bonds, the market yields on sovereign (government) bonds, with a term consistent with the estimated term of the defined benefit obligation as at the reporting date, is used.

Re-measurement of net liabilities that includes actuarial gains and losses arising from the changes in assumptions used in the calculation, is recognized directly in the consolidated statement of other comprehensive income. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods.

The cost of past services (if any) is recognized in the consolidated statement of profit or loss on the earlier of:

- date of modification of the programme or labour downsizing; and
- the date on which the Group recognizes the related restructuring costs.

Net interest cost is calculated by applying the discount rate to the net defined benefit assets or liabilities. The Group recognizes the following changes in the net benefit obligation identified in the consolidated statement of profit or loss:

- service costs that include the current service costs, past service costs, profits and losses resulting from labour downsizing and non-routine payments;
- net interest cost or income.

(b) Other short term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(c) Termination benefits

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition

Revenue of the Group primarily comprises of revenue from telecommunication services, mining activities, banking and financing operations and investment activities.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

For contracts determined to be within the scope of IFRS 15, the Group is required to apply a five-step model to determine when to recognize revenue from contracts with customers, and the amount of revenue to be recognized:

Step 1: Identify the contract(s) with a customer
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations to be met.

Step 2: Identify the performance obligations in the contract
A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price
The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract
For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation
The Group satisfies a performance obligation and recognizes revenue over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as and when the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time when the performance obligation is satisfied.

Principal versus agent
When more than one party is involved in a transaction for providing goods or services to a customer, the Group is required to determine whether it acts as a principal or an agent.

The Group acts as a principal if it controls a promised good or service before transferring it to the customer. The Group is an agent if its role is to arrange for another entity to provide the goods or services. The factors considered in making this assessment are most notably whether the Group has discretion in establishing the price for the specified good or service, whether the Group has inventory risk and whether the Group is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Group is acting as a principal, revenue is recorded on a gross basis. Where the Group is acting as an agent revenue is recorded as a net amount reflecting the margin earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Customer loyalty scheme
A customer loyalty scheme gives rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty scheme liability based on relative standalone selling price of loyalty point and liability is recognized as revenue when points are redeemed or expired.

Variable consideration including volume rebates, rights of return and other variable considerations
The Group applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the expected future rebates (i.e., the amount not included in the transaction price).

Variable consideration related to rights of return assets: A right of return asset (and corresponding adjustment to cost of revenue) is recognized for the right to recover the goods from the customer. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price).

Significant financing component
The Group is required to assess if there is a significant financing component in the contracts by considering the length of time between the customers' payment and the transfer of the goods/services (both for advance payments or payments in arrears). As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

The Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Contract modification
A contract modification occurs when the Group and the customer approve a change in a contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognized until it is approved. Approval can be in writing, verbal, or implied by customary business practices.

The Group treats a contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Group accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

Non-cash consideration
The fair value of non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the asset.

The Group estimates the fair value of the non-cash consideration by reference to its market price. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the goods/services.

Warranty obligations
Assurance-type warranties are accounted for as warranty provisions.
The Group also provides a warranty beyond fixing defects that existed at the time of sale. These service - type warranties are sold either separately or bundled together with the sale of goods. Contracts for bundled sales of goods and service-type warranty comprise two performance obligations because the goods and service-type warranty are both sold on a stand-alone basis and are distinct within the context of the contract. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognized as a contract liability. Revenue for service-type warranties is recognized over the period in which the service is provided based on the time elapsed.

Contract balances
Contract assets: A contract asset is initially recognized for revenue earned from services where the receipt of consideration is conditional on successful completion of the services. Upon completion of the services and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Trade receivables: A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities: A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Assets and liabilities arising from rights of return
Right of return assets: A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value.

Refund liabilities: A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

(a) Revenue from Telecommunication services
The Group principally earns revenue from airtime usage, messaging, data services, interconnect fees, connection fees and device sales. Products and services may be sold separately or in bundled packages.

Telecommunication services: Telecommunication services include voice, data and text services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).

Bundled packages: Arrangements involving multiple products and services are separated into individual items and revenues is recognized on the basis of fair value (standalone selling prices) of the individual items by allocating the total arrangement consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer.

Devices: The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(b) Sale of phosphate fertilizer, ammonia and industrial minerals

The Group, as principal, sells phosphate fertilizer, ammonia and industrial minerals products directly to customers and also through marketing agents, acting as agents, for the sale of phosphate fertilizer and ammonia.

The Group sells a significant proportion of its goods on Cost and freight ocean transport ("CFR") International Commercial terms ("Incoterms") and therefore the Group is responsible for providing shipping services after the date at which control over the promised goods have passed to the customer at the loading port. The Group is therefore responsible for the satisfaction of two performance obligations under its CFR contracts with the customers and recognizes revenue as follows:

- sale and delivery of goods at the loading port resulting in the transfer of control over such promised goods to the customer and recognising the related revenue at a point in time basis; and
- shipping services for the delivery of the promised goods to the customer's port of destination and recognising the related revenue over a time basis, equivalent to the stage of completion of the services.

At the loading port, quality and quantity control of the promised goods are carried out by independent internationally accredited consultants before the loading of the vessel, in accordance with the specifications contained in the contract. The physical loading of the approved promised goods on the vessel, satisfies the Group's performance obligation and triggers the recognition of revenue at a point in time.

The selling price includes revenue generated for the sale of goods and transportation services depending on the Incoterms contained in the contract with the customer. The selling price is therefore unbundled or disaggregated into these two performance obligations, being the sale of the promised goods and the transportation thereof.

The Group recognizes a trade receivable for the sale and delivery of the promised goods when the goods, delivered to the loading port, are loaded on to the vessel as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. However, the trade receivable related to the transportation service are recognized over time, if material, based on the stage of completion of service which is assessed at the end of each reporting period. The disaggregation between separate performance obligations is done based on the standalone selling price.

All shipping and handling costs incurred by the Group, in relation to the satisfaction of performance obligation for the transportation of the promised goods, under CFR contracts with the customers, are recognized as cost of revenue.

(c) Sale of alumina, primary aluminium products and flat rolled products

The Group, as principal, sells alumina, primary aluminium products and flat rolled products directly to customers and in accordance with the contract, the promised goods are provisionally priced. The sales price is not settled until a predetermined future date and is based on the market price at a time or over a pre-defined period of time. Revenue on these sales is initially recognized (when all the above criteria are met), at a provisional price based on the pricing mechanism as specified in the contract. Provisionally priced sales are marked-to-market at each reporting date using the forward price for the period equivalent to that outlined in the contract and in the carrying amount of the outstanding trade receivable. Such fair value gains (losses) on provisionally priced products are presented within revenue.

(d) Sale of Gold bullion (including by-products like copper, zinc and silver concentrate)

The Group, as principal, sells gold bullion and by-products like copper, zinc and silver concentrate directly to customers under contract, which vary in tenure and pricing mechanisms. The Group's primary product is gold and the concentrates produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenues from by-product sales are insignificant and are credited to production cost applicable to gold bullion sales as a by-product credit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(d) Sale of Gold bullion (including by-products like copper, zinc and silver concentrate) (continued)

- ***Gold bullion sales***

  The Group primarily sell gold bullion in the spot market. The selling price is fixed on the date of sale based on the gold spot price and the revenue and related trade receivable is recognized, at a point in time basis, when the gold bullion is delivered to the airport, which is also the date, the place and the time that the control over the gold bullion is transferred to the customer.

  Sales revenue is commonly subject to a quantity adjustment based on a fire assay of the gold bullion upon arrival at the refinery of the customer.

  The sales revenue of a bullion bar is based on provisionally invoiced quantities. The Group uses the "expected value method" to recognize revenue on provisionally invoiced quantities. The revenue recognized is based on probability of gold content and includes in a range of possible consideration amounts.

- ***Metal concentrate sales***

  Revenue from the sale of metal concentrates (copper, zinc and silver) is based on selling prices that are provisionally set, for a specified future date after shipment, based on ruling market prices. Sales revenue and the related trade receivable is recognized, at a point in time basis, at the time of shipment, which is also the date that the control transfers to the customer.

  The final selling price on such concentrates is settled within a predetermined future date and is based on the ruling market price at that time or over a quotation period stipulated in the contract. Revenue for provisionally priced metal concentrates is initially recognized at the current market price. However, subsequently at each reporting date, such provisionally priced sales are marked-to-market using the relevant forward market prices for the period stipulated in the contract. This marked-to-market adjustment is directly recognized in sales and in the carrying amount of the outstanding trade receivable.

(e) Banking and Financing operations

- ***Special commission income and expense***

  Special commission income and special commission expense for all interest-bearing financial assets and liabilities, except those classified as FVTPL, are recognized using the effective interest method. This is applicable as well for non-banking and financing operation.

  Special commission income and expense include interest income and expense for conventional financing.

  Fee income received in connection with financing and advances that are integral component of the effective interest rate are adjusted from the amortized cost of the related financing and advances and recognized in the consolidated statement of profit or loss over the life of the respective financial asset. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial instrument.

  When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

  For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

  The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(e) Banking and Financing operations (continued)

- ***Special commission income and expenses (continued)***

  The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

  The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

  In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

  However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

  For financial assets that were credit-impaired on initial recognition, special commission income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of special commission income does not revert to a gross basis, even if the credit risk of the asset improves.

- ***Fee and other income expenses***

  Income from FVTPL includes all realized and unrealized gains and losses from changes in fair value and related special commission income or expense, dividends for financial assets held for trading and foreign exchange differences on open positions.

  Exchange income from banking services are recognized when earned.

  Fees income and expenses are recognized on an accrual basis as the service is provided.

  Financing commitment fees for financing arrangement that are likely to be drawn down are deferred and recognized as an adjustment to the effective yield on the financing arrangement. Portfolio and other management advisory and service fee income are recognized based on the applicable service contracts, usually on a time-proportionate basis.

  Fee income received on other services that are provided over an extended period of time, are recognized rateably over the period when the service is being provided, if material.

  Fee received in connection with syndication financing where the Group acts as the lead arranger and retains no part of the financing for itself (or retains a part at the same EIR for comparable risk as other syndicate participants) is recognized upon the execution of the syndicate financing arrangement. Moreover, commitment fee received by the Group where it is unlikely that a specific lending arrangement will be entered into by the counterparty is recognized upon execution of the corresponding facility arrangement.

  Success fee is recognized upon satisfaction of the promised performance obligation which generally corresponds to the execution of a specified task or completion of a milestone as agreed with the respective counterparty.

  Other fee expenses mainly relate to transaction and services fee, which are expensed as related services are provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(e) Banking and Financing operations (continued)

- ***Fee and other income expenses (continued)***
  Some of the Group's banking entities provide investment management services to its customers, which includes management of certain mutual funds. Where the banking subsidiaries have concluded that they act as agents for the investors, such investment management funds are not included in the special purpose consolidated financial statements of the Group. Fee earned from these funds are disclosed in consolidated statement of profit or loss while the Group's share of investments is included under "Investments held at FVTPL" in the consolidated statement of financial position.

  Any assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the special purpose consolidated financial statements.

(f) Dividend income
Dividend income from investments in equity instruments is recognized when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

(g) Service concession arrangements
Revenue related to construction or upgrade services under a service concession arrangement is recognized over time, consistent with the Group's accounting policy on recognising revenue on the construction contracts. Operation or service revenue is recognized in the period in which the services are provided by the Group. If the service concession arrangement contains more than one performance obligation, then the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered.

Where the Group is acting as a grantor under service concession agreements, the Group recognizes the asset or an upgrade to an existing asset provided by the operator as a service concession asset if:
- there is an arrangement between the Group and the operator to build and operate the asset;
- the Group controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- the Group controls, through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of the arrangement.

The Group shall initially measure the service concession asset, which is ready for use, at its fair value. The service concession assets, which are under construction, are recognized at cost incurred to date under IAS 16 principles. Where an existing asset meets the condition of the service concession arrangement, the Group shall reclassify the existing asset as a service concession asset. After initial recognition or reclassification, service concession assets shall be accounted for under other non-current assets. Where the Group recognizes a service concession asset, a related liability shall also be recognized. The liability is initially measured at the same amount as the service concession asset, adjusted by the amount of any other consideration from the grantor to the operator, or from the operator to the grantor. The liability is accounted for as a financial liability and/or non-financial liability (unearned revenue) depending on whether the grantor has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of the service concession asset; and/or grants the operator the right to earn revenue from third-party users or another revenue-generating asset.

The estimated useful life of the service concession assets is the period from when the operator is able to charge for the use of the asset till the end of the concession period.

3.26 Expenses

The Group recognizes the expenses under following categories based on the nature of expenses:

(a) Cost of revenue
Cost of revenue represents the cost incurred by the Group and directly attributable for fulfilling its service and obligations with respect to its contract with customers and finance costs for the banking entities of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Expenses (continued)

(b) Selling and distribution expenses
Selling and distribution expenses comprise of all costs for selling, marketing and transportation of the Group's products and include expenses for advertising, marketing fees, other sales related expenses. Allocation between selling and distribution expenses and cost of revenue are made on a consistent basis, when required.

(c) Administrative expenses
Administrative expenses include direct and indirect costs not specifically part of either cost of revenue or selling and distribution expenses. Allocation between administrative expenses and cost of revenue are made on a consistent basis, when required.

(d) Other operating expenses
Other operating expenses include direct and indirect costs not specifically part of either of the above categories of expenses.

3.27 Government grants

(a) Direct cash funding from the Government
The subsidiaries of the Group, from time to time, receive direct cash funding from the Government of Saudi Arabia ("Government"). Since the Group's owner is the Government, on receipt of funding from the Government, the Group evaluates the funding to determine if the transaction is a transaction with the Government in its capacity as the owner and therefore treated as 'additional capital contribution', or if not, then as a government grant.

The determination is done after considering various factors including but not limited to the following:
- whether the initial capital of the subsidiary of the Group was sufficient to meet its objectives;
- are there substantive conditions associated with the funding, ability of the subsidiary of the Group to comply with those conditions and whether there is a possibility to return those funds;
- are funding received part of the implementation of specific Government policy or initiative;
- would similar funding be given by the Government to an entity not owned by the Government i.e. the private sector; and
- whether funds are provided for the benefit of the economy/sector in general or particular to financial assistance to the subsidiary of the Group.

Assessment of above factors requires significant judgement and evaluation to assess whether the Government has acted in the capacity as an 'Owner' or the Government.

(b) Accounting for Government grants
Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.
- when the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. If the conditions for receiving the grant are met after the related expenses have been recognized, then the grant is recognized when it becomes receivable.
- when the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
- when the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal value.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the subsidiary with no future related costs shall be recognized in the consolidated statement of profit or loss of the period in which it becomes receivable.

(c) Land transferred from the Government
Where the Government has transferred lands without consideration, such lands are recorded at a nominal value of SAR 1, plus any related transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.27 Government grants (continued)

(d) Loan at below-market interest rate from the Government

The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 Accounting for government grants and disclosure of government assistance. Government grant is recognized in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognizes related costs for which the grant is intended to compensate.

3.28 Zakat and Taxation

(a) Zakat

The Fund is not subject to Zakat in accordance with Royal Order No. 35657 dated 29 Jumada Al-Thani 1442H (corresponding to 11 February 2021). For prior years, the Fund was not subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) as applicable in the Kingdom of Saudi Arabia. The Fund has obtained specific exemption from the ZATCA in this regard.

All wholly owned companies by the Fund are subject to Zakat except for:

- the wholly owned companies, and their wholly owned companies, which hold all of its direct investments outside the Kingdom of Saudi Arabia, and
- other wholly owned companies, directly or indirectly, that are exempted based on mutual agreement between the Fund and ZATCA, for specific and agreed duration.

Although exempted subsidiaries are not subject to zakat, the requirement to submit their zakat return to ZATCA annually continues to remain effective.

The individual subsidiaries subject to Zakat within the Group calculates and records the zakat provision based on the zakat base in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia.

(b) Current income tax

The Fund is not subject to income tax in accordance with Royal Order No. 35657 dated 29 Jumada Al-Thani 1442H (corresponding to 11 February 2021). For prior years, the Fund is not subject to any income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) as applicable in the Kingdom of Saudi Arabia. However, the subsidiaries within the Group having foreign shareholders are subject to tax in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) as applicable in the Kingdom of Saudi Arabia. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries, other than Kingdom of Saudi Arabia, where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss. 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.

(c) Deferred tax

Deferred tax is provided for 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 tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 Zakat and Taxation (continued)

(c) Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets 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 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 tax relating to items recognized outside the consolidated statement of profit or loss is recognized outside the consolidated statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable subsidiary or different taxable subsidiaries which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.29 Value Added Tax (VAT)

Expenses and assets are recognized excluding the amount of VAT, except:

- when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.30 Foreign currencies

PIF’s functional currency is Saudi Riyals. Each subsidiary in the Group has its own functional currency. The Group prepares the consolidated financial statement in Saudi Riyals being the ‘presentation currency’.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.30 Foreign currencies (continued)

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or the consolidated statement of profit or loss are also recognized in other comprehensive income or the consolidated statement of profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(b) Group companies

On consolidation, the assets and liabilities of foreign operations whose functional currency is not the currency of a hyperinflationary economy, are translated into Saudi Riyals, at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to the consolidated statement of profit or loss.

If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the foreign exchange translation reserve is allocated to the non-controlling interest. The deferred cumulative amount of exchange differences recognized in equity will be reclassified in the consolidated statement of profit or loss in 'Other operating income, net' at the time of any future disposal or partial disposal with loss of control.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(c) Group's subsidiaries operating in hyperinflationary economy

The financial statements of the Group's subsidiary functioning in a hyperinflationary economy are restated in terms of the measuring unit current at the end of the reporting period. The restatements are based on a conversion factor derived from the general price index issued by the regulatory authorities of the country in which such subsidiary is functioning.

On consolidation, the assets, liabilities, equity items, income and expenses of foreign operations whose functional currency is the currency of a hyperinflationary economy, are translated into Saudi Riyals, at the closing rate at the date of the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.31 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Mine properties, property, plant and equipment, intangible assets and investment properties are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; Or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

3.32 Dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's special purpose consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and/or liabilities in the future periods.

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognized in the special purpose consolidated financial statements. 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 these special purpose consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1 Consolidation of entities in which the Group holds less than a majority of voting rights (de facto control)

Determining whether the Group has control of an entity is based on ownership of the majority of the voting rights however in certain instances this determination will involve significant judgment. The Group considers it controls various entities with less than 50% of the voting rights (de facto control). The Group controls Saudi National Bank (SNB) and Industrialization & Energy Services Company (Taqa) where it owns less than 50% of the voting rights (de facto-control. Factors that results in de-facto control conclusions are ranging from voting rights held by the Group relative to other investors, composition of other investors, representation at the board of directors of investees, attendance in annual general meetings, history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group and material financing transactions with investee companies. The Group believes that it controls the entities that are consolidated as the operations of the investees are carried out solely for the benefit of the Group and the Group has existing rights that give the current ability to direct the relevant activities of the investees that significantly affect the returns of the investees.

4.2 Non-consolidation of investments in which the Group holds 100% of voting rights

The Group holds 100% in certain entities. These investments include Fund of Funds Company (Jada), Saudi Information Technology Company (SITE) and Elm Company (formerly known Al Elm Information Security Company) ("Elm"). However, these are classified as associate as at 31 December 2020 and only Fund of Funds Company (Jada) and Saudi Information Technology Company (SITE) are classified as associate as at 31 December 2021 (refer to Note 10). The classification is based on the following judgement exercised by management:

- Fund of Funds Company is managed by a board of directors who are appointed by the Council of Economic and Development Affairs ("CEDA"). The Group has significant influence over Fund of Funds Company as the Group has a right to call and a right to vote at extra ordinary general meeting of Fund of Funds Company, accordingly, the Group has classified Fund of Funds Company as an associate.

- SITE is managed by a board of directors who are appointed by Royal Decree upon nomination by the Minister of Communication and Information Technology who is also Chairman of the board. The Group has significant influence over SITE as the Group has a right to vote at extra ordinary general meeting of SITE, accordingly, the Group has classified SITE as an associate.

- As at 31 December 2020, Elm was managed by a board of directors from a Government body and the Group. The Government body's representation at the board of directors is more than that of the Group. Therefore, the Group has significant influence over Elm and has classified Elm as an associate.
  However, on 25 November 2021, through the amendment of by-laws, the Group as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November 2021 in these special purpose consolidated financial statements (refer to note 44)

4.3 Determination of control over investment funds

The Group acts as fund manager to a number of investment funds. The determination of whether the Group controls an investment fund is based on an assessment of the aggregate economic interests of the Group in the fund and includes an assessment of any carried interests, expected management fees, and the investors' rights to remove the Group as fund manager. Management are required to conclude whether the Group acts as an agent for the investors in the fund, or if the underlying fund is controlled by the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.4 Classification of investments in which the Group holds less than 20% of voting rights – investment in associates

The Group considers certain investments as an associate despite having less than 20% of voting rights. The Group evaluates significant influence over entities based on various factors including voting rights held by the Group relative to other investors, composition of other investors, representation at the board of directors of investees, attendance in annual general meetings and material financing transactions with investee companies.

4.5 Investment in joint ventures

The Group has assessed that it has joint control over some of its investments (refer to Note 10), as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements are structured as limited liability companies and provide the Group and the parties to the agreements with rights to the net assets of these entities under the arrangements. Therefore, these arrangements are classified as joint ventures.

4.6 Classification of Saudi Electric Company (SEC)

The Group holds 75.10 % shares in SEC and has representation on Board of Directors of SEC. As part of Government initiative to restructure electricity sector including SEC, a Ministerial Committee was established in 31 March 2019 through Royal Decree 41156 with one representative from the Group. Considering the rights granted to Ministerial Committee in relation to relevant activities of SEC and composition of Ministerial Committee and related voting rights, the Group has no longer control over the relevant activities of SEC and has significant influence based on its shareholding and representation in the Ministerial Committee. Accordingly, SEC is classified as an associate from the establishment of Ministerial Committee.

4.7 Classification of investment in funds

The Group assesses the classification of its funds to determine whether in accordance with the terms of the investment agreement the Group has control or significant influence over the funds. The assessment of ‘control’ requires the Group to evaluate whether the Group has the power to direct the financial and operational policies of the fund, is exposed to and has rights to variable returns from the fund and also has the ability to affect those returns through its power over the fund. The assessment of ‘significant influence’ requires the Group to evaluate whether the Group has the power to participate in the financial and operational policies of the fund, but no control or joint control.

Based on the assessment performed, the Group does not have control or significant influence over the funds; accordingly, the Group has classified its investment in the funds at fair value in accordance with the requirements of IFRS 9 ‘Financial Instruments’. In reaching this conclusion, following are some of the key factors identified as part of the Group’s investment in the fund:

- the Group is the limited partner;
- the general partner has the right to make and amend the financial and operating policies; and
- limited or no right of the Group to remove general partner from the position of the fund manager.

4.8 Structured entities

A structured entity is one that has been set up so that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated when the substance of the relationship between the Group and the structured entities indicate that the structured entities are controlled by the Group. The Group considers its investment in SoftBank Vision Fund L.P (“SoftBank Fund”) to be investment in unconsolidated structured entity, as SoftBank Fund is designed to achieve a specific business purpose.

SoftBank Fund is not consolidated because the Group does not control SoftBank Fund through voting rights, contract, funding agreements, or other means. The extent of the Group’s interests in unconsolidated structured entity will vary depending on SoftBank Fund’s business objectives. The Group invests in SoftBank Fund whose objective range from achieving medium to long term capital growth. SoftBank Fund is managed by unrelated investment manager i.e. fund manager and apply various investment strategies to accomplish the investment objectives. SoftBank Fund finances its operations by offering a limited partnership which entitles the holder to a proportional stake in SoftBank Fund’s net assets. The Group holds limited partnership interest in SoftBank Fund (refer to Note 45).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.9 Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

i) Identifying performance obligations
At inception of the contract with customers, the Group assesses the performance obligations embedded in the contracts. Based on the assessment, the Group determines the performance obligation with respect to the customer contracts.

(b) Determining transaction price and allocation (Arrangements with multiple deliverables)
In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis. Revision to the estimates of these fair values may significantly affect the allocation of total arrangement consideration among the individual elements.

Some contracts include multiple deliverables, such as the sale of hardware and related installation services. However, in contracts were the installation is simple, does not include an integration service and could be performed by another party, it is accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where the performance obligations are not directly observable, they are estimated based on expected cost-plus margin or adjusted market assessment approach as appropriate. If contracts include the installation of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed, and the customer has accepted the hardware.

Identity verification services contracts are sold together with technical support services. The identity verification services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. Although, the Group determined that the promises to transfer the identity verification services and to provide technical support are distinct within the context of the contract, both services are highly interrelated, as technical support mainly represent technical specifications related to the identity verification services rather than separate service provided to the customer whereas nature of specifications provided under technical support include the response time and minimum transactions capacity. Consequently, the Group did not allocate the transaction price over these services as they represent a single performance obligation.

(c) Determining the timing of satisfaction of performance obligation
The Group recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised goods or services to its customers. An asset is transferred when (or as) the customer obtains control of that asset, which is upon delivery of goods or services. Significant judgment is required to evaluate when the control is transferred to the customer.

(d) Method to recognize revenue over time
The Group exercises significant judgment to evaluate whether to apply the input method or output method in allocating the transaction price to performance obligations when revenue is recognized over a period of time. The Group may select an appropriate output or input method based on business segment or products or services in such business segment. However, the Group applies the method consistently to similar performance obligations and in similar circumstances.

In applying the input method, the Group estimates the costs to complete the projects in order to determine the amount of revenue to be recognized. The Group uses the output method where performance is measured based on the direct value of the goods or services transferred to date to the customers, in comparison to the remaining goods or services to be provided under the contract.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.9 Revenue from contracts with customers (continued)

(e) Principal versus agent considerations
The Group enters into contracts with its customers for supply of goods or services. The Group determines whether it controls the goods or services before they are transferred to customers, and it has the ability to direct the use of the goods or services or obtain benefits from them. The following factors indicate that the Group controls the goods or services before they are being transferred to customers.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods or services.
- The Group has inventory risk before the specified goods has been transferred to the customers.
- The Group has discretion in establishing the price for the specified goods or services.

When the Group sells goods or services as a principal, revenue and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

(f) Consideration of significant financing component in a contract
Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group concluded that there is no significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of goods or services to the customer.

4.10 Determining the lease term of contracts with renewal and termination options – The Group as lessee

Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has lease contracts that include extension and termination options. Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option.

The Group typically exercises its option to renew these leases because based on the previous experience and the future intention of the management to continue, there is a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. Management has considered and evaluated the following factors before determining not to embrace the extension options beyond the original term:

- management’s long-term strategy is to re-tender contracts wherever possible.
- the economic benefit for continuing with the same supplier (same lease) is not proven, hence it is not reasonably certain to exercise the extension option, due to the fact that there are competitors in the market who are expected to offer competitive prices, which may result in a retendering process.
- the expected changes in technologies in the ensuing five years.
- New technologies in the market and strategic studies would reassess the economic feasibility of leases.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.11 Leases - Estimating the incremental borrowing rate

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 (such as the subsidiary's stand-alone credit rating).

4.12 Useful lives of right-of-use assets

The Group's management determines the estimated useful lives of its right-of- use assets for calculating amortization. The cost of right-of-use assets are amortized over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. The Group reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

4.13 Development, exploration and evaluation expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as pipelines including services are capitalized within mine properties and is depreciated from the commencement of production. The capitalization policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Cost incurred on unsuccessful development or delineation are written-off.

Significant estimates and assumptions are required to determine whether it is appropriate to continue to carry costs associated with exploration wells and exploratory type stratigraphic test wells on the balance sheet. This includes costs relating to exploration, seismic evaluation, geological and geophysical or other related costs. It is not unusual to have such costs being capitalized on the balance sheet while additional appraisal drilling and seismic work on the cluster is performed or while the optimum development plans and timing are established.

4.14 Stripping costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to giving access to a component of the ore body to be mined in the future, which then give rise to the creation of a stripping activity asset. Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations.

An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.15 Commercial production start date

Commercial production is achieved when assets are capable of operating in the manner envisaged by the management, which is generally, when the related assets are capable of operating continuously at a nominated percentage of design capacity. The decision on when commercial production for mining related assets is achieved is however judgmental and should be based after discussions between the accountants, engineers and metallurgists. Consideration should be taken of the following list of non-exhaustive factors, such as:

- a nominated percentage of design capacity for a mine or a mill,
- mineral recoveries at or near expected levels,
- achievement of continuous production and
- the level of future capital expenditure still to be incurred.

Various aspects of the mining / production process (e.g. mine, mill, refinery, processing plant, etc.) needs to be considered separately when concluding on when commercial production has commenced, especially if one aspect of the process has commenced production in advance of the others. Once the mine is capable of commercial production, depreciation should commence.

4.16 Estimated useful lives of investment properties and property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The residual values have not been considered as they are deemed immaterial.

4.17 Estimated useful lives of intangible assets with finite lives

The Group's management determines the estimated useful lives of its intangible assets with finite lives for calculating amortization. This estimate is determined after considering the expected pattern of consumption of future economic benefits embodied in the asset. Management reviews the amortization period and amortization method for an intangible with a finite life at least each financial year end and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

4.18 Mineral resource and ore reserve estimates

There is a degree of uncertainty involved in the estimation and classification of mineral resource and ore reserve and corresponding grades being mined or dedicated to future production. Until mineral resource and ore reserve are actually mined and processed, the quantity of mineral resource and ore reserve grades must be considered as estimates only. Further, the quantity of mineral resource and ore reserve may vary depending on, amongst other things, metal prices and currency exchange rates.

The ore reserve estimates of the Group have been determined based on long-term commodity price forecasts and cut-off grades. Any material change in the quantity of reserves, grades or stripping ratio may affect the economic viability of the properties. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will give the same result in larger scale tests under on-site conditions or during production.

Fluctuation in commodity prices, the results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require estimates to be revised. The volume and grade of ore reserves mined and processed, and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of ore reserves and mineral resources, or of the Group's ability to extract these mineral contents, could have a material adverse effect on the Group's business, prospects, financial condition and operating results.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.19 Depreciation and depletion (Unit-Of-Production (UOP) method) – Mine properties

Mine properties related to mining activities are depreciated on a unit-of-production basis over the proven and probable ore reserves of the mine concerned, other than those mining assets whose useful lives differ from the lifetime of the mine which are depreciated applying the straight-line method. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the mine. When determining the life-of-mine, assumptions that were valid at the time of estimation, may change when new information becomes available. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information including details relating to the drilling and mining, the observation of long-term reservoir performance under producing conditions and the changes in economic factors, including commodity prices, unforeseen operational issues, contract terms, legislation or development plans. Changes to estimates of proven and probable developed reserves affect prospectively the amounts of depreciation, and depletion charged and, consequently, the carrying amounts of mine properties. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mines at which the asset is located.

The factors that could affect estimation of the life-of-mine include the following:

- changes in proven and probable ore reserves;
- the grade of ore reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation and classification of ore reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing and reclamation costs, and discount rates could possibly adversely affect the economic viability of ore reserves.

Any of these changes could affect prospective depreciation of mine properties and their carrying value.

4.20 Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date or more frequently to determine whether there is any indication of impairment or an objective evidence of impairment. If any such indication exists, asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGUs. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations. Significant assumptions used in preparing discounted cash flow models include growth rates, expected future cash flows, operating costs, capital expenditures, and discount rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of profit or loss and the resulting carrying values of related assets.

Impairment assessment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGUs are generally determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering five to ten-year period. Cash flows beyond the period used in the calculation are extrapolated using the estimated growth rates as stated in Note 7. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. Where CGU represents a subsidiary for which quoted market price is available, the Group calculates the recoverable amount based on the fair value less cost to sell approach using the closing quoted market price of the CGU.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.20 Impairment of non-financial assets (continued)

Impairment assessment of goodwill (continued)
For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets including the intangible assets in the unit (group of units) on a pro rata basis on condition that the carrying amount of other assets should not be reduced below their fair values. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal off the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.21 Classification of financial assets

When the Group classifies financial assets, it makes judgments to:
- assess the business model within which the assets are held and whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amounts outstanding;
- determine the classification of certain financial assets as measured at FVTPL or at FVOCI; and
- determine fair value at the time of reclassification i.e. on initial adoption of IFRS 9.

4.22 Fair value measurement of financial instruments

When the fair values 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 measured using a variety valuation technique including the discounted cash flow (DCF) model, market comparable approach, replacement cost model, and residual value method. The input to these models is derived from observable markets where available and possible, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and market volatility. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Judgements are involved in categorising the fair value into 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 may be available at the measurement date.
- 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 assets or liability that are not based on observable market data (unobservable input)

For assets and liabilities that are recognized in the special purpose consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.23 Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, expected loss rates, forecast economic conditions and ECLs is a significant estimate. The Group uses judgement in making these assumptions and selecting the inputs of the impairment calculation, based on the past history, existing market and conditions as well as forward looking estimates at the end of each reporting period. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4.24 Impairment on other financial assets

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

- 12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.
- Lifetime ECL (stage 2) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Group and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.
- For stage 3 financial instruments, the provisions for credit-impairment are determined based on the difference between the net carrying amount and the recoverable amount of the financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at the inception of the credit facility or, for debt instruments, at the current market rate of interest for a similar financial asset.

Financial assets that are measured at amortized cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial reorganization, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Financial assets which have been renegotiated or modified are no longer considered to be past due and are replaced on performing status when all principal and interest payments are up to date and future payments are reasonably assured. Financial assets subject to individual impairment assessment and whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. All renegotiated or modified facilities are classified as stage 2 or stage 3 for a minimum period of 12 months from the date of renegotiation. The ECL on renegotiated financial instruments is measured based on whether the terms of renegotiation resulted in the derecognition of an existing asset.

ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information. Also refer to Note 42.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.25 Identification of Cash Generating Units (CGUs)

The classification of assets into CGUs requires significant judgement and interpretations with respect to the integration between assets, generation of independent cash flows by the assets, the existence of active markets and external users. Significant judgement is involved in determination of the CGUs.

4.26 Assets held for sale

The Group announced its decision to discontinue certain subsidiaries as disclosed in Note 20. The operations of the subsidiaries are classified as a disposal group held for sale. The Group considers the subsidiaries to meet the criteria to be classified as held for sale at that date for the following reasons:

- the subsidiaries are available for immediate sale and can be sold to the buyer in its current condition
- the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- a potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- the shareholder approved the plan to sell

4.27 Allowance for slow moving inventories

Inventory is stated at cost or net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. An allowance (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

The Group also creates an allowance for obsolete and slow-moving spare parts. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the year. Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

4.28 Government grants provided in capacity of government

The Group follows the guidance in IAS 20 (Government grants) and the conceptual framework to determine when assistance received from the government meets the definition of government grant. This determination requires significant judgement. In making this judgement, the Group evaluates, among other things if the government assistance to the Group represents assistance awarded in return for the fulfilment of past or future compliance with certain conditions relating to the operating activities of the Group which are required to be achieved. The Group determines whether such transactions are clearly distinguishable from capital contributions where the government is acting in their capacity as government and not the shareholder of the Group.

4.29 Mine decommissioning obligation

The Group’s mining and exploration activities are subject to various environmental laws and regulations. The Group estimates environmental obligations based on management’s understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the license agreements and engineering estimates. Provision is made for decommissioning as soon as the obligation arises. Actual costs incurred in future years could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations and life-of-mine estimates could affect the carrying amount of this provision.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.30 Provisions and other contingent liabilities

The Group may be subject to claims and actions for which no provisions have been recognized. The facts and circumstances relating to particular cases are evaluated regularly in determining whether a provision relating to a specific litigation should be recognized or revised. Accordingly, significant judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict and judgments in assigning the risk that might exists in such claims. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Group recognizes provision for compensation due to expropriation; where, the Group has present obligation to bear the expropriation charges and outflow of economic benefits can be reliably measured.

4.31 Employee Benefits

Employee benefits represents obligations that will be settled in the future and require assumptions to project obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management use an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred. 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. Changes in the assumptions could affect the reported asset, service cost and return on pension plan assets. All assumptions are reviewed at each reporting date.

(a) Discount rate
The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the rate of return on high-quality corporate or government bond currently available and the expected period to maturity of the employees' terminal benefits liabilities.

(b) Mortality rate
The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

(c) Salary rate and future pension increase
Estimates of future salary increase, takes into account inflation, seniority, promotion and past history. Further details about employees' benefits liabilities are provided in Note 24.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.32 Zakat, income tax and deferred tax

Wholly owned subsidiaries within the Group that are subject to zakat and not excluded (refer to Note 3.28), are subject to Zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Not excluded wholly owned subsidiaries are subject to zakat, whereas, the subsidiaries with foreign shareholders are subject to zakat for their Saudi shareholders and income tax for their foreign shareholders in accordance with the regulations of the ZATCA. The subsidiaries recognize liabilities for any anticipated zakat and income tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the ZATCA is depending on the eventual outcome of the appeal process which the subsidiary is entitled to. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit and loss in the period in which such final determination is made.

Deferred tax assets of foreign subsidiaries are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. This involves a judgement relating to the future financial performance of the foreign subsidiary in which the deferred tax assets have been recognized. Deferred tax liabilities are generally recognized for all temporary differences that are taxable. The current income tax is recognized in the consolidated statement of profit or loss. Deferred tax is calculated based on tax rates expected to be applied in the period in which liabilities are settled or assets are realized based on laws enacted or substantially enacted at reporting date.

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

Significant judgment is also required in determining the position for income taxes across these jurisdictions owing to the complexity of tax laws, frequent changes in tax laws and regulations, and the manner of their implementation Judgment must also be exercised whilst interpreting the interaction between different taxes and interaction between tax rules of different jurisdictions. Tax provisions are recognized by the Group in accordance with tax laws enacted or substantively enacted by the taxing jurisdictions and in accordance with requirements of the applicable accounting standards.

4.33 Considerations in respect of COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections being recorded globally. Initially reported in China, COVID-19 has spread across other countries, resulting in reported infections and deaths in numerous countries. On 30 January 2020, the World Health Organization ("WHO") declared COVID-19 a public health emergency of international concern. On 11 March 2020, the WHO declared COVID-19 a global pandemic. Measures taken to contain and slow the spread of the virus such as limiting movements of people, restricting flights and temporarily closing businesses have significantly impacted global economic activity, resulting in volatility in global capital markets and negatively impacting commodity prices, including demand for crude oil. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimize the impact on individuals and establishments. However, a number of the above precautionary and preventative measures have since been partially lifted and/or relaxed, including a gradual reopening of businesses and workplaces and the recommencement of international and domestic flights while strictly following all rules and regulations laid out by government authorities. In 2021, the global economy largely experienced a strong recovery, reflecting increased mobility and the resumption of business activities through phasing out of the COVID-19 containment measures. The Government also managed to successfully control the outbreak. Also refer to Note 48 - COVID Impact.

(All amounts in million SAR unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Land	*Buildings*	*Leasehold improvements*	*Plant, machinery and equipment*	*Furniture, fixture and office equipment*	*Rigs*	*Civil works*	*Transportation assets*	*Tele-communication network and related equipment*	*Others*	*Capital work- in-progress*	*Total*
Cost												
As at 1 January 2021	4,460	36,472	1,498	58,928	5,973	10,355	12,056	4,956	105,372	383	20,406	**260,859**
Additions during the year	75	453	376	2,259	898	-	-	449	104	-	27,245	**31,859**
Acquired through business combination	3,100	2,626	57	199	287	-	-	13	-	-	444	**6,726**
Disposals	-	(150)	(62)	(96)	(223)	(25)	-	(226)	(1,423)	(3)	63	**(2,145)**
Transfers within PPE	-	2,720	362	1,581	1,045	240	207	136	6,190	409	(12,890)	**-**
Transfers (to)/ from intangible assets	-	(43)	-	-	34	-	-	-	(13)	-	(713)	**(735)**
Transfers (to)/ from investment properties	-	-	-	-	-	-	-	-	-	-	(31)	**(31)**
Transferred from/to inventories	-	-	15	-	-	-	-	-	-	-	8	**23**
Written off	-	(480)	(4)	(1,129)	(1)	-	-	(3)	-	-	(33)	**(1,650)**
Effect of movements in exchange rates	(5)	(139)	-	6	(88)	-	-	2	40	-	(4)	**(188)**
Other adjustments	-	(4)	60	(119)	(1)	(285)	-	1	4	(15)	(271)	**(630)**
At 31 December 2021	**7,630**	**41,455**	**2,302**	**61,629**	**7,924**	**10,285**	**12,263**	**5,328**	**110,274**	**774**	**34,224**	**294,088**
Accumulated depreciation and impairment losses									-			
As at 1 January 2021	-	14,678	477	17,663	4,171	5,788	1,590	3,244	69,201	85	678	**117,575**
Depreciation charge for the year	-	1,332	212	3,491	768	524	382	185	6,019	58	-	**12,971**
Impairment loss	-	1	88	34	33	-	-	76	-	-	1,502	**1,734**
Disposals	-	(105)	(55)	(74)	(109)	(26)	-	(161)	(1,360)	(3)	(1)	**(1,894)**
Transfers within PPE	-	(25)	15	15	6	-	-	63	-	3	(77)	**-**
Transfers (to)/ from intangible assets	-	-	-	-	-	-	-	-	2	-	-	**2**
Written off	-	(480)	(1)	(945)	(2)	-	-	(3)	-	-	-	**(1,431)**
Effect of movements in exchange rates	-	(30)	-	-	(50)	-	-	-	25	-	(2)	**(57)**
Other adjustments	-	(5)	19	(178)	-	(277)	-	-	84	(4)	47	**(314)**
At 31 December 2021	**-**	**15,366**	**755**	**20,006**	**4,817**	**6,009**	**1,972**	**3,404**	**73,971**	**139**	**2,147**	**128,586**
Net carrying value												
Balance at 31 December 2021	**7,630**	**26,089**	**1,547**	**41,623**	**3,107**	**4,276**	**10,291**	**1,924**	**36,303**	**635**	**32,077**	**165,502**

(All amounts in million SAR unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

	Land	*Buildings*	*Leasehold improvements*	*Plant, machinery and equipment*	*Furniture, fixture and office equipment*	*Rigs*	*Civil works*	*Transportation assets*	*Tele-communication network and related equipment*	*Others*	*Capital work- in-progress*	*Total*
Cost												
As at 1 January 2020 (unaudited)	4,182	36,227	1,055	59,374	5,340	9,967	12,037	4,820	97,709	337	11,351	**242,399**
Additions during the year	349	299	279	873	356	-	-	219	233	30	21,665	**24,303**
Disposals	(42)	(388)	(32)	(195)	(127)	-	(12)	(80)	(1,034)	(2)	(26)	**(1,938)**
Transfers within PPE	-	983	206	1,619	463	388	31	3	8,476	18	(12,187)	**-**
Transfers (to)/ from intangible assets	-	-	-	-	-	-	-	-	-	-	(382)	**(382)**
Transfers (to)/ from mine properties	-	-	-	1	-	-	-	-	-	-	(67)	**(66)**
Transfers (to)/ from investment properties	(37)	-	-	-	-	-	-	-	-	-	254	**217**
Transferred from/to inventories	-	-	-	-	-	-	-	-	-	-	(32)	**(32)**
Transferred to asset held for disposal	-	(462)	(10)	(2,461)	(8)	-	-	(2)	-	-	(10)	**(2,953)**
Written off	-	-	-	(195)	-	-	-	-	-	-	(15)	**(210)**
Effect of movements in exchange rates	8	(187)	-	(35)	(48)	-	-	(4)	(21)	-	(10)	**(297)**
Other adjustments	-	-	-	(53)	(3)	-	-	-	9	-	(135)	**(182)**
At 31 December 2020	**4,460**	**36,472**	**1,498**	**58,928**	**5,973**	**10,355**	**12,056**	**4,956**	**105,372**	**383**	**20,406**	**260,859**
Accumulated depreciation and impairment losses												
As at 1 January 2020 (unaudited)	-	13,922	358	15,455	3,837	5,134	1,213	2,832	64,511	75	189	**107,526**
Depreciation charge for the year	-	1,153	134	3,558	502	654	382	203	5,740	13	-	**12,339**
Impairment loss	-	12	-	24	1	-	-	272	-	(1)	356	**664**
Disposals	-	(275)	(12)	(86)	(125)	-	(5)	(60)	(1,033)	(2)	-	**(1,598)**
Transfers within PPE	-	(2)	(3)	-	(11)	-	-	-	16	-	-	**-**
Transfers (to)/ from intangible assets	-	-	-	(4)	-	-	-	-	-	-	-	**(4)**
Transfers (to)/ from investment properties	-	-	-	-	-	-	-	-	-	-	133	**133**
Transferred to asset held for disposal	-	(115)	(2)	(1,094)	(4)	-	-	(2)	-	-	-	**(1,217)**
Written off	-	-	-	(194)	-	-	-	-	-	-	-	**(194)**
Effect of movements in exchange rates	-	(17)	-	(3)	(27)	-	-	(1)	(13)	-	-	**(61)**
Other adjustments	-	-	2	7	(2)	-	-	-	(20)	-	-	**(13)**
At 31 December 2020	**-**	**14,678**	**477**	**17,663**	**4,171**	**5,788**	**1,590**	**3,244**	**69,201**	**85**	**678**	**117,575**
Net carrying value												
Balance at 31 December 2020	**4,460**	**21,794**	**1,021**	**41,265**	**1,802**	**4,567**	**10,466**	**1,712**	**36,171**	**298**	**19,728**	**143,284**

(All amounts in million SAR unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

5.1 Allocation of depreciation charged for the year to:

	2021	***2020***
Cost of revenue	10,303	10,101
Administrative expenses	2,639	2,074
Selling and distribution expenses	23	14
Relating to discontinued operations	-	150
Depreciation recognized as a part of the cost of other assets	6	-
	12,971	**12,339**

5.2 Allocation of impairment charged for the year to:

	2021	***2020***
Cost of revenue	8	4
Administrative expenses	1,726	660
	1,734	**664**

5.3 Other disclosure related to property, plant and equipment:

(a) Land includes parcels with a carrying value of SAR 179 million (2020: SAR 187 million) where the transfer of legal title to the Group is under progress.

(b) Others primarily include equipment, cinema theatres and theme park equipment.

(c) Capital work-in-progress primarily includes costs incurred on the development of local projects related to real estate, mining and telecommunications.

(d) Property, plant and equipment with a net carrying amount of SAR 21,562 million (2020: SAR 21,833 million) are pledged as security to lenders under the loan agreements/Islamic financing agreements (refer to Note 26).

(e) The Group disposed of certain property, plant and equipment, with a net carrying amount of SAR 470 million during 2021 (during 2020: SAR 340 million), for a cash consideration of SAR 314 million (2020: SAR 194 million). The net losses of SAR 156 million (2020: SAR 146 million) on these disposals and write offs were recognized as part of “other operating income, net” in the consolidated statement of profit or loss.

(f) Capital work-in-progress includes borrowing costs capitalized during the year amounting to SAR 162 million (during 2020: SAR 91 million). The weighted-average interest rate ranges from 1.92% to 4.23% (2020: 2.6% to 3.55%) per annum.

(g) During 2021, the in-house technical team of one of the Group’s subsidiaries concluded on the results of a detailed exercise to reassess the useful lives of rigs and equipment, considering multiple factors including technological changes, historical usage of similar assets and other recent changes in the market conditions. As a result of such exercise, management revised the useful life range of its rigs and equipment from 7 - 20 years to 7 - 30 years with effect from 1 January 2021, considering it to be a change in accounting estimate. Furthermore, as a result of expansion in the number of geographical regions where the respective subsidiary is allowed to operate, the management of the subsidiary reassessed the method of depreciation for certain assets and revised it from straight-line basis to usage basis.
As a result, the depreciation charge and cost of revenues (profit and total comprehensive income) for the year ended 31 December 2021 is lower (higher) by SAR 254 million than it would have been using the previous estimates.

(h) Additions during the year ended 31 December 2020 include assets acquired through business combination amounting to SAR 251 million.

(All amounts in million SAR unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

5.3 Other disclosure related to property, plant and equipment (continued):

(i) Non-cash additions amounted to SAR 945 million (2020: SAR 121 million).

(j) During the year ended 31 December 2021, the Group has written-off property, plant and equipment having carrying amount of SAR 183 million. These assets written-off, relating to phosphate segment, are attributable to assets relating to:

- Ammonia plant having carrying amount of SAR 40 million. The Ammonia plant was damaged by a limited fire which was fully controlled. The damaged parts of the Ammonia plant were damaged beyond repair and were written down to their recoverable value of Nil.
  The Group is in process of filing claims with the insurance company to recover the loss due to the fire incident as mentioned above. The matter is under discussion with the insurance company and management believes that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2021 as receipt of the amount is dependent on the outcome of the insurance claim process.
- Sulphuric Acid plant having carrying amount of SAR 143 million. These represented redundant assets which needed to be completely replaced during the year due to certain performance issues.

5.4 Details of significant impairment test:

(a) A subsidiary of the Group tests whether non-financial assets included in leasehold improvements and furniture, fixture and office equipment have suffered any impairment on an annual basis. Non-financial assets of the subsidiary are monitored by management at the level of cash generating units ("CGUs").

For the year ended 31 December 2021, the recoverable amount of the CGUs was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management of the respective subsidiary for the first year of the model. Cash flows beyond the first year to five years period are extrapolated using the estimated growth rates stated below and other assumptions based on the historical experience of management.

The key assumptions used for those CGUs that have non-financial assets allocated to them are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Sales price (% annual growth rate)	2%	-	Average annual growth rate over the 5 year forecast period; based on current industry trends and historical experience of management
Budgeted gross margin	65% to 66%	-	Based on past performance and management's experience for the future
Discount rate	8.7%	-	Reflects specific risks relating to the relevant CGUs

(b) A subsidiary of the Group performed an impairment test for the carrying value of a building and hospitality assets under constructions classified as "Capital-work-in-progress". The recoverable amount was determined on the basis of value-in-use, which was estimated based by discounting the estimated future cash flows from the expected future use of these assets. The key assumptions were estimating 10 years (2020: 10 years) future cash flows by using 2% growth rate (2020: 2%) from the cash generating unit. These cash flows are discounted using pre-tax discount rate of 9.62% (2020: 10.51%). The subsidiary uses 10 year cash flow as hospitality assets are under construction which require few years to be able to generate cash flows. In determining future cash flows, the management of respective subsidiary has considered rent-free period up-to 6 months (2020: 3 months) and take-up period of 6 to 60 months (2020: 6 to 84 months). Management believes that no reasonably possible change in any of the above key assumptions would materially change the value-in-use.

(c) A subsidiary of the Group has performed its annual impairment test for the carrying value of aircrafts under "Transportation Assets". The recoverable amount was determined on fair value less cost to sell of such assets that reflect the appraiser's opinion of the most likely trading price. The valuations are performed by an accredited independent professional appraiser who hold recognized and relevant professional qualifications and have recent experience in the category and type of asset being valued.

(All amounts in million SAR unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

5.4 Details of significant impairment test (continued):

(d) Impairment of rolling mill CGU

As at 31 December 2021, management of a subsidiary of the Group performed an impairment assessment of the rolling mill CGU due to lower than budgeted results. The methodology used by management for the impairment assessment is the discounted cash flow analysis. Key assumptions used in this analysis include:

Assumptions	*2021*	*2020*	Basis of the assumptions
Pre-tax discount rate	8.00%	9.10%	Calculated using a Capital Asset Pricing Model (CAPM) methodology
Growth rate	3.10%	3.10%	Based on third party consultant's forecasts for the industry
Sales growth	14.73%	8.33%	Based on management best estimate and past experience

Management of respective subsidiary concluded that the recoverable amount for the capital work-in-progress, property plant and equipment, right-of-use assets and intangible assets of the rolling mill CGU is higher than the carrying value of such assets. The estimated recoverable amount was based on approved five years business plan. Management of the company has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

(e) Impairment of automotive sheet CGU

As at 31 December 2021, management of a subsidiary of the Group performed an impairment assessment of the automotive sheet CGU due to lower than budgeted results. The methodology used by management for the impairment assessment is the discounted cash flow analysis. Key assumptions used in this analysis include:

Assumptions	*2021*	*2020*	Basis of the assumptions
Pre-tax discount rate	8.00%	9.10%	Calculated using a Capital Asset Pricing Model (CAPM) methodology
Growth rate	3.10%	3.10%	Based on third party consultant's forecasts for the industry
Sales growth	17%	15%	Based on management best estimate and past experience

Management of respective subsidiary concluded that the recoverable amount for the capital work-in-progress, property plant and equipment, right-of-use assets and intangible assets of automotive sheet CGU is higher than carrying value of such assets. The estimated recoverable amount was based on approved five years business plan. Management of the company has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

(f) Impairment of Ma'aden Wa'ad Al-Shamal Phosphate Company ("MWSPC") CGU

As at 31 December 2021, management of a subsidiary of the Group performed an impairment assessment of the MWSPC CGU, due to lower than budgeted results. The impairment assessment resulted in no impairment. The value-in-use of MWSPC's assets, was based on a discounted cash flow analysis which utilized the most recent five-year approved business plan. Key assumptions used in this analysis included:

Assumptions	*2021*	*2020*	Basis of the assumptions
Pre-tax discount rate	8.50%	8.80%	Calculated using a Capital Asset Pricing Model (CAPM) methodology
Growth rate	4.00%	4.00%	Based on third party consultant's forecasts for the industry
Sales growth	17%	15%	Based on management best estimate and past experience

5. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

5.4 Details of significant impairment test (continued):

(f) **Impairment of Ma'aden Wa'ad Al-Shamal Phosphate Company ("MWSPC") CGU (continued)**

Management of respective subsidiary concluded that the recoverable amount for the capital work-in-progress, property plant and equipment, right-of-use assets and intangible assets of automotive sheet CGU is higher than carrying value of such assets. The estimated recoverable amount was based on approved five years business plan. Management of the company has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

(g) A subsidiary of the Group has identified indicators that their assets were impaired. This was owing to the forecasted net cash flows from the use of such assets being determined as being negative (net cash outflows). As a result, management of the subsidiary conducted an impairment test over all items of its property, plant and equipment, excluding land. For this purpose, the subsidiary determined the recoverable amount of each of subsidiary's Cash-Generating-Units (CGUs), being the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups thereof. The CGUs identified are main railway projects being:

- North-South Railways project ("NSR"),
- Saudi Railway Organization project ("SRO"), and
- Haramain High Speed Railways ("HHR").

The subsidiary's management determined the value-in-use of each CGU listed above using the projected future cash flows expected to be derived from the use of the assets within the CGU. The future expected cash flows of each project were determined as being negative (cash outflows) owing to the fact that the future costs associated from the use of such assets exceeded the expected future economic benefits to be received from the use of such assets. As a result, the subsidiary's management determined the fair value less costs to sell of the respective assets. The fair value less costs to sell was determined using Market approach in terms of IFRS 13. Where assets are non-specialized, the market approach was used where sufficient market data on comparable assets was available. For specialized assets, the market approach was used by determining the residual value of such assets. For this purpose, actual disposals of related assets within the respective class of assets were used as a base to determine the percentage of the replacement cost on an asset class basis that is recoverable from the sale of the respective asset. Using this method, each asset class was assigned a scrap value percentage. This scrap value percentage was then applied to the actual replacement cost of the asset being tested to determine the residual value of such asset.

Considering the nature of the assets and status of the projects being valued, management believes that this method is the most appropriate method to determine the recoverable amount. The impairment charge in the respective year is determined as being the difference between carrying amount of the asset on the date of impairment test and the recoverable amount on such date.

(h) Based on identified impairment indicators during the year ended 31 December 2020, including significant cost over runs of the construction of a project, challenges in business and tourism environment, an impairment assessment was carried out and related assets were identified to be impaired. The recoverable amount was determined on the basis of value in use calculations. Assumptions used in value-in-use calculations included the weighted average cost of capital of 10% and annual growth rate of 5% in the business plan of the project. The Group shall assess at the end of each reporting period whether impairment indicators that resulted in the impairment of assets no longer exists. Management believes that no reasonably possible change in any of the above key assumptions would materially change the value-in-use.

The Group did not incur in any additional asset impairment during 2021.

(All amounts in million SAR unless otherwise stated)

6. MINE PROPERTIES

			Operating mines								
	Exploration and evaluation assets	*Mines under construction*	*Fixed plant and heap leaching*	*Mine infrastructure / buildings*	*Civil works*	*Heavy equipment*	*Mine closure and rehabilitation provision*	*Stripping activity asset*	*Others*	*Mining capital work-in-progress*	*Total*
Cost											
As at 1 January 2021	268	-	6,958	2,438	1,814	416	375	585	481	1,900	**15,235**
Additions during the year	161	1,405	-	2	-	-	-	75	-	122	**1,765**
Transfers to/from other categories of mine properties	-	1,562	15	30	-	3	-	-	5	(1,615)	-
Change in mine closure and rehabilitation provision	-	-	-	-	-	-	91	-	-	-	**91**
Written-off during the year [(a)]	-	-	(155)	-	-	-	-	(19)	-	-	**(174)**
Others	-	-	(8)	-	-	-	-	-	(1)	-	**(9)**
At 31 December 2021	**429**	**2,967**	**6,810**	**2,470**	**1,814**	**419**	**466**	**641**	**485**	**407**	**16,908**
Accumulated depreciation and impairment											
As at 1 January 2021	-	-	2,453	1,009	181	249	73	287	311	-	**4,563**
Depreciation charge for the year	-	-	386	116	69	32	15	51	37	-	**706**
Written-off during the year	-	-	(22)	-	-	-	-	(19)	-	-	**(41)**
Others	-	-	(8)	-	-	-	-	-	-	-	**(8)**
At 31 December 2021	**-**	**-**	**2,809**	**1,125**	**250**	**281**	**88**	**319**	**348**	**-**	**5,220**
Net carrying value											
Balance at 31 December 2021	**429**	**2,967**	**4,001**	**1,345**	**1,564**	**138**	**378**	**322**	**137**	**407**	**11,688**

(All amounts in million SAR unless otherwise stated)

6. MINE PROPERTIES (continued)

			Operating mines								
	Exploration and evaluation assets	*Mines under construction*	*Fixed plant and heap leaching*	*Mine infrastructure / buildings*	*Civil works*	*Heavy equipment*	*Mine closure and rehabilitation provision*	*Stripping activity asset*	*Others*	*Mining capital work-in-progress*	*Total*
Cost											
As at 1 January 2020 (unaudited)	224	-	6,788	2,411	1,820	381	325	470	476	829	**13,724**
Additions during the year	44	-	-	-	-	-	-	115	-	1,247	**1,406**
Transfers to/from other categories of mine properties	-	-	149	27	5	35	-	-	5	(221)	**-**
Transfers to property, plant and equipment	-	-	21	-	-	-	-	-	-	45	**66**
Change in mine closure and rehabilitation provision	-	-	-	-	-	-	50	-	-	-	**50**
Others	-	-	-	-	(11)	-	-	-	-	-	**(11)**
At 31 December 2020	**268**	**-**	**6,958**	**2,438**	**1,814**	**416**	**375**	**585**	**481**	**1,900**	**15,235**
Accumulated depreciation and impairment											
As at 1 January 2020 (unaudited)	-	-	2,018	853	113	203	61	161	271	-	**3,680**
Depreciation charge for the year	-	-	435	156	68	46	12	126	40	-	**883**
At 31 December 2020	**-**	**-**	**2,453**	**1,009**	**181**	**249**	**73**	**287**	**311**	**-**	**4,563**
Net carrying value											
Balance at 31 December 2020	**268**	**-**	**4,505**	**1,429**	**1,633**	**167**	**302**	**298**	**170**	**1,900**	**10,672**

The depreciation charge for the year amounting to SAR 706 million (2020: SAR 883 million) was fully allocated to cost of revenue.

(a) During the year, the Group has written-off mine properties having carrying amount of SAR 133.2 million (2020: nil). These assets written-off, relating to phosphate segment. These represented redundant assets which needed to be completely replaced during the year due to certain performance issues. The write-off loss was recognized and included in the cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2021.

(b) Mine properties with a net carrying value as at 31 December 2021 of SAR 4,199 million (2020: SAR 4,617 million) are pledged as security to lenders under the Common Term Agreements (refer to Note 26).

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS

	Goodwill	*Software and licenses*	*Tele-communication licenses*	*Technical developments*	*Contract intangibles*	*Others [(b)]*	*Capital work-in-progress*	*Total*
Cost								
As at 1 January 2021	4,634	17,243	8,866	46	2,536	1,142	1,048	**35,515**
Additions during the year	29	538	41	1,398	261	1	1,845	**4,113**
Acquired through business combination	38,239	142	-	92	-	11,345	-	**49,818**
Disposals	-	(306)	-	-	(254)	-	-	**(560)**
Transfers during the year	-	1,390	(4)	543	145	-	(2,074)	**-**
Transfers from/(to) PPE	-	672	-	1	93	-	(30)	**736**
Translation differences	26	(90)	2	-	1	-	-	**(61)**
Written-off during the year	-	(40)	-	-	-	-	-	**(40)**
Others	-	5	-	-	-	(9)	-	**(4)**
At 31 December 2021	**42,928**	**19,554**	**8,905**	**2,080**	**2,782**	**12,479**	**789**	**89,517**
Accumulated amortization and impairment losses								
As at 1 January 2021	615	12,531	3,118	29	1,271	211	-	**17,775**
Amortization charge for the year	-	1,777	485	112	314	883	-	**3,571**
Impairment charge for the year	25	-	-	-	-	-	-	**25**
Disposals during the year	-	(32)	-	-	(254)	-	-	**(286)**
Transfers from/(to) PPE	-	(2)	-	-	-	-	-	**(2)**
Translation differences	-	(83)	-	-	-	-	-	**(83)**
Written-off during the year	-	(39)	-	-	-	-	-	**(39)**
Others	-	-	-	-	4	60	-	**64**
At 31 December 2021	**640**	**14,152**	**3,603**	**141**	**1,335**	**1,154**	**-**	**21,025**
Net carrying value								
Balance at 31 December 2021	**42,288**	**5,402**	**5,302**	**1,939**	**1,447**	**11,325**	**789**	**68,492**

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

	Goodwill	*Software and licenses*	*Tele-communication licenses*	*Technical developments*	*Contract intangibles*	*Others [b]*	*Capital work-in-progress*	*Total*
Cost								
As at 1 January 2020 (unaudited)	2,074	15,188	7,976	107	2,475	1,140	418	**29,378**
Additions during the year	-	379	19	1	218	2	2,887	**3,506**
Impact of adoption of IFRS [a]	2,684	-	-	-	-	-	-	**2,684**
Disposals	-	(21)	-	-	(159)	-	-	**(180)**
Transfers during the year	-	1,380	871	-	2	-	(2,253)	**-**
Transfers from/(to) PPE	-	382	-	-	-	-	-	**382**
Assets held for sale	-	(24)	-	(62)	-	-	-	**(86)**
Translation differences	(124)	(42)	-	-	-	-	-	**(166)**
Others	-	1	-	-	-	-	(4)	**(3)**
At 31 December 2020	**4,634**	**17,243**	**8,866**	**46**	**2,536**	**1,142**	**1,048**	**35,515**
Accumulated amortization and impairment losses								
As at 1 January 2020 (unaudited)	-	10,813	2,669	69	1,134	83	-	**14,768**
Amortization charge for the year	-	1,779	449	10	296	120	-	**2,654**
Impairment charge for the year	615	-	-	-	-	-	-	**615**
Disposals during the year	-	(15)	-	-	(159)	-	-	**(174)**
Assets held for sale	-	(17)	-	(50)	-	-	-	**(67)**
Translation differences	-	(33)	-	-	-	8	-	**(25)**
Others	-	4	-	-	-	-	-	**4**
At 31 December 2020	**615**	**12,531**	**3,118**	**29**	**1,271**	**211**	**-**	**17,775**
Net carrying value								
Balance at 31 December 2020	**4,019**	**4,712**	**5,748**	**17**	**1,265**	**931**	**1,048**	**17,740**

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.1 Allocation of amortization charge for the year to:

	2021	***2020***
Cost of revenue	679	685
Administrative expenses	2,888	1,965
Selling and distribution expenses	4	2
Relating to discontinued operations	-	2
	3,571	**2,654**

7.2 Allocation of impairment charged for the year to:

	2021	***2020***
Administrative expenses	-	615
Other operating income (expense)	25	-
	25	**615**

7.3 Other disclosures related to intangible assets:

(a) As at 31 December 2020, the cost includes the goodwill arising from the application of IFRS 1, First-time Adoption of International Financial Reporting Standards, and the exemption elected not to apply IFRS 3, Business Combinations, amounting to SAR 2,684 million (refer to note 2).

(b) Others primarily include core deposit intangible, customer relationships, brands, team squad and trademarks mainly acquired through business combination (refer to note 44).

(c) The Group disposed of certain intangible assets during the year ended 31 December 2021 at its net carrying amount of SAR 275 million (2020: SAR 6 million) for a cash consideration of SAR 271 million (2020: SAR 6 million). The net losses of SAR 4 million (2020: SAR Nil) on these disposals and write-offs were recognized as part of "other operating income, net" in the consolidated statement of profit or loss.

(d) The following is the net book value and expiry dates of the telecommunication licenses and frequency spectrum as at 31 December:

Country	**End of amortization period**	**Net book value**	
		2021	***2020***
Saudi Arabia	2029/2030/2032/2033/2034	2,892	3,149
Kuwait	2033/2039	1,749	1,892
Bahrain	2030/2031/2038	661	707
Total		**5,302**	**5,748**

(e) Non-cash additions during 2021 amounted to SAR 106 million (2020: SAR 1,031 million).

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.4 Impairment test on goodwill

The Goodwill allocated to cash generating unit or groups of cash generating units are as follows:

(a) The Saudi National Bank (SNB)

Intangible assets include goodwill of SAR 34,007 million (2020: Nil) arising from the merger of Saudi National Bank ("SNB") with Samba Financial Group ("Samba") during 2021 (refer to note 44). SNB has performed an annual impairment test as at 31 December 2021 in respect of the goodwill allocated to Retail and Wholesale segments as CGUs based on forecasted cash flows.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The carrying amount of CGU is derived using a capital allocation model where the Bank's core equity capital is allocated to the CGUs.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Discount rate	9.25%	-	Using the Cost of Equity ("CoE") that reflect management's estimate of Return on Capital Employed ("ROCE") required in each business.
Growth rate	4.50%	-	Provided by macro-economic research and analyst reports

The Group's management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying value of the group of CGUs including goodwill to materially exceed its recoverable amount.

(b) Saudi Arabian Mining Company (Ma'aden)

- During the period ended 31 December 2020, the Group has recognized goodwill amounting to SAR 2,587 million related to Ma'aden. For assessing the goodwill impairment, the recoverable amount was determined on the basis of fair value less costs to sell. To arrive at the fair value less costs to sell, management used the closing quoted market price of the CGU to calculate the recoverable amount, as the CGU represents a subsidiary. Based on the result of this assessment, no impairment was required in during the years ended 31 December 2020 and 31 December 2021, respectively.

- Intangible assets include goodwill of SAR 159 million arising from the acquisition of Meridian in 2018 by Saudi Arabian Mining Company (Ma'aden). The Group performed impairment test for goodwill allocated to fertilizer distribution companies as a CGU based on forecasted cash flows. At 31 December 2021 and 31 December 2020, the recoverable amount of the CGU has been determined based on a value-in-use calculations. The calculations use discounted cash flow projections based on the financial budgets that are approved by management covering a period of 5 years. Cash flows beyond 5 years are extrapolated using growth rate that is consistent with forecasts included in industry reports specific to the industry in which the group of CGUs operate.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Discount rate	25.89%	29.73%	Estimate of WACC based on market rates adjusted to reflect management's estimate of the specific risks relating to operations in East Africa
Average EBITDA margin	8.00%	9.80%	Estimated in the forecast period

The Group's management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying value of the group of CGUs including goodwill to materially exceed its recoverable amount.

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.4 Impairment test on goodwill (continued)

(c) Acquisition of Magic Leap ("ML") by PIF

Intangible assets include goodwill of SAR 2,740 million (2020: SAR 0 million) arising from the acquisition of Magic Leap during August 2021 by PIF. The Group performed impairment test for goodwill allocated to Magic Leap CGU based on forecasted cash flows. The recoverable amount of the CGU has been determined based on a value-in-use calculations. The calculations use discounted cash flow projections based on the financial budgets that are approved by management covering a period of 5 years (2020: nil). Beyond 5 years (2020: nil) a 2-stage growth model (H-model) was applied, which assumed a linear decline of growth rate from 90% projected by management for year 5 to 2.2% over a period of 10 years. The H-model is applied to the forecasted cash flow of a normalized Terminal Year ("TY") cash flow in order to estimate the terminal value.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Discount rate	53% to 56%	-	Based on the required rate of return for venture capital investments in early-stage companies and considering ML's stage of development.
Growth rate	90% and linear decline to 2.2%	-	Based on a 2-stage growth model (H-model).

Based on the results of the impairment test of the goodwill, it was concluded that no impairment to be recorded as of 31 December 2021. The Group's management believes that a reasonable possible change in any of the key assumptions used in the value-in-use calculation would not cause the carrying value of the goodwill to materially exceed the recoverable amount.

(d) Saudi Agricultural & Livestock Investment Company (SALIC)

Intangible assets include goodwill of SAR 668 million (2020: SAR 643 million) arising from the acquisition of Mriya and UFIC groups in 2018 by SALIC Ukraine. SALIC performed impairment test for goodwill allocated to SALIC Ukraine CGU based on forecasted cash flows. The recoverable amount of the CGU has been determined based on a value-in-use calculations. The calculations use discounted cash flow projections based on the financial budgets that are approved by management covering a period of 5 years (2020: 10 years). Cash flows beyond 5 years (2020: 10 years) are extrapolated using growth rates not exceeding the long-term growth rates of the economies in which these subsidiaries operate. The growth rates are consistent with forecasts included in industry reports specific to the industry in which CGU operates. For the year ended 31 December 2020, management has used a discrete period of 10 years using reliable forecasts for commodities and inflation rates, and based on the assumption that upon completion of the business integration of Mriya and UFIC groups, it will require 10 years period for cash flow stabilization and to achieve stable expected EBITDA margin.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Yields average annual growth rate	1.00%	1.06%	Market forecasts and management expectations
Sales price average annual growth rate	0.48%	2.21%	External sources' reliable forecasts
EBITDA margin in the terminal period	23.15%	27.71%	Industry data and management expectation
Terminal growth rate	2.00%	2.00%	Rates are consistent with forecasts included in industry reports
Pre-tax discount rate	12.12%	12.52%	Management's estimate of specific risks relating to the CGU

Based on the results of the impairment test of the goodwill, it was concluded that no impairment to be recorded as of 31 December 2021 and as of 31 December in 2020, respectively. The Group's management believes that a reasonable possible change in any of the key assumptions used in the value-in-use calculation would not cause the carrying value of the goodwill to materially exceed the recoverable amount.

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.4 Impairment test on goodwill (continued)

(e) Industrialization & Energy Services Company (Taqa)

Intangible assets include goodwill of SAR 192 million (2020: 164 million) comprises of:

- an amount of SAR 88 million (2020: 88 million) arising from the acquisition of TAQA Sanjel in 2011 by Taqa,
- an amount of SAR 75 million (2020:SAR 76 million) arising from the acquisition of Cougar Drilling Solutions Inc. (“CDSI”) in 2019 by Taqa Drilling Solutions Inc. (“TDSI”).
- an amount of SAR 23 million (2020: Nil) arising from the acquisition of AZR Technology Industrial Services Company (“AZR”) in 2021 by Industrialization & Energy Services Company (“Taqa”)
- an amount of SAR 6 million (2020: Nil) arising from the acquisition of Target Intervention AS (“Target”) in 2021 by Industrialization & Energy Services Company (“Taqa”)

Taqa performed impairment test for goodwill allocated to TAQA Sanjel, CDSIm AZR and Target CGUs based on forecasted cash flows. The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors of the respective entities, which are based on past performance and management’s expectations of market development.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Discount rate	11% to 15%	12% to 15%	Based on past performance and management’s expectations of market development
Growth rate	2.5 to 3%	2% to 3.5%	

Based on the result of the impairment test, it was concluded that no impairment was required as of 31 December 2021 and as of 31 December 2020, respectively. The Group’s management believes that a reasonable possible change in any of the key assumptions used in the value in use calculation would not cause the carrying value of goodwill to materially exceed the recoverable amount.

(f) Ayar Third Investment Company

Intangible assets include goodwill of SAR 227 million (2020: 227 million) arising from the acquisition of Atieva Inc. in 2019 (Atieva Inc. renamed to Lucid Group Inc. – refer to note 44) by Ayar Third Investment Company. Ayar Third Investment Company performed impairment test for goodwill allocated to Lucid Group Inc. CGU based on fair value less cost to sell as a recoverable amount. To arrive at the fair value less costs to sell at year ended 31 December 2021, the management used the closing quoted market price of the CGU to calculate the recoverable amount, as the CGU represents a subsidiary. At year ended 31 December 2020, to arrive at the fair value less costs to sell, the management carried out internal valuations of the unlisted equity shares using an option pricing model.

Based on the result of this assessment, no impairment was required in during the years ended 31 December 2020 and 31 December 2021, respectively.

(g) NCUK Investment Limited ("NCUK")

Intangible assets include provisional goodwill of SAR 404 (2020: Nil) arising from the acquisition of Newcastle United Limited ("Newcastle" or "NUFC") during October 2021 by NCUK (refer to note 44).

As of 31 December 2021, the management accounts for the combination using provisional values of net assets acquired. The management is in process of completing the calculations of net assets and goodwill arising from the combination within the measurement period, which will not exceed twelve months from the acquisition date. Therefore, no impairment test was performed as of 31 December 2021.

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.4 Impairment test on goodwill (continued)

(h) Saudi Telecom Company ("stc")

Intangible assets include goodwill of SAR 118 million (2020: SAR 143 million) arising from the acquisition of "Solutions" by amounting to SAR 76 million (2020: SAR 76 million) and the acquisition of "Qualitynet" by "stc Kuwait" amounting to SAR 42 million (2020: SAR 67 million).

"stc" performed impairment test for goodwill allocated to Qualitynet based on forecasted cash flows. The recoverable amount of goodwill is determined based on value-in-use calculations. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management over a five years period and a relevant terminal growth rate.

The key assumptions used for value-in-use calculations are:

Assumptions	***2021***	***2020***	**Basis of the assumptions**
Discount rate	12%	12%	Specific circumstances of "stc Kuwait" and is derived from its weighted average cost of capital (WACC)
Growth rate	2.5%	2.3%	Long term inflation forecast for the State of Kuwait

Based on the result of the impairment test, it was concluded that the carrying value of the CGU exceeds its recoverable amount. Accordingly, an impairment loss amounting SAR 25 million (2020: Nil) was recognized in the consolidated statement of profit and loss.

(i) Saudi Investment Recycling Company (SIRC)

Intangible assets include goodwill of Nil (2020: SAR 615 million) arising from the acquisition of Global Environmental Management Services Company Limited ("GEMS") in 2019 by SIRC.

As of 31 December 2020, it was concluded that the carrying value of the CGU exceeds its recoverable amount, the Group has recognized an impairment loss for the full amount in the year ended 31 December 2020.

(All amounts in million SAR unless otherwise stated)

8. RIGHT-OF-USE ASSETS

Cost:	*Land*	*Buildings*	*Plant, machinery and equipment*	*Others*	***Total***
As at 1 January 2021	3,447	5,133	1,471	2,133	**12,184**
Additions during the year	1,343	1,247	68	355	**3,013**
Remeasurements	157	(1)		(2)	**154**
Transfer from/to other categories of assets	-	123	(13)	(180)	**(70)**
Acquired through business combination	70	684	5	7	**766**
Disposals during the year	(287)	(291)	(25)	(82)	**(685)**
Translation differences	7	(84)	2	(6)	**(81)**
Other adjustments	(180)	47	-	64	**(69)**
At 31 December 2021	**4,557**	**6,858**	**1,508**	**2,289**	**15,212**
Accumulated depreciation and impairment losses:					
As at 1 January 2021	941	1,437	321	763	**3,462**
Depreciation charge during the year	698	799	118	370	**1,985**
Transfer from/to other categories of assets	-	24	-	(21)	**3**
Impairment charge for the year	-	42	-	-	**42**
Disposals during the year	(119)	(157)	(20)	(52)	**(348)**
Translation differences	(1)	(20)	-	(2)	**(23)**
Other adjustments	4	30	(1)	9	**42**
At 31 December 2021	**1,523**	**2,155**	**418**	**1,067**	**5,163**
Carrying value at 31 December 2021	**3,034**	**4,703**	**1,090**	**1,222**	**10,049**

Cost:	*Land*	*Buildings*	*Plant, machinery and equipment*	*Others*	***Total***
As at 1 January 2020 (unaudited)	2,901	3,955	1,319	2,013	**10,188**
Additions during the year	912	1,316	173	288	**2,689**
Remeasurements	54	4	-	1	**59**
Assets held for sale	(47)	(11)	(11)	(1)	**(70)**
Disposals during the year	(61)	(142)	-	(144)	**(347)**
Translation differences	(62)	(23)	(4)	(20)	**(109)**
Other adjustments	(250)	34	(6)	(4)	**(226)**
At 31 December 2020	**3,447**	**5,133**	**1,471**	**2,133**	**12,184**
Accumulated depreciation and impairment losses:					
As at 1 January 2020 (unaudited)	426	709	185	430	**1,750**
Depreciation charge during the year	669	831	143	407	**2,050**
Relating to assets held for sale	(5)	(2)	(7)	(1)	**(15)**
Disposals during the year	(47)	(105)	-	(70)	**(222)**
Translation differences	1	(7)	-	(3)	**(9)**
Other adjustments	(103)	11	-	-	**(92)**
At 31 December 2020	**941**	**1,437**	**321**	**763**	**3,462**
Carrying value at 31 December 2020	**2,506**	**3,696**	**1,150**	**1,370**	**8,722**

(All amounts in million SAR unless otherwise stated)

8. RIGHT-OF-USE ASSETS (continued)

8.1 Allocation of depreciation charge for the year:

	2021	*2020*
Cost of revenue	1,120	1,256
Administrative expenses	823	674
Selling and distribution expenses	40	33
Amount recognized as an addition to the cost of assets during the year, as it is eligible for capitalization	2	79
Relating to discontinued operations	-	8
Total	**1,985**	**2,050**

8.2 Leases expenses where practical expedient is applied:

	2021	*2020*
Leases expenses related to short term leases		
Cost of revenue	262	286
Administrative expenses	239	242
Selling and distribution expenses	1	-
Total	**502**	**528**

8.3 The variable lease payments included in the consolidated statement of profit or loss:

	2021	*2020*
Cost of revenue	284	2
Administrative expenses	5	108
Total	**289**	**110**

8.4 Other disclosures related to right-of-use assets:

(a) Others primarily include lease of warehouses, motor vehicles, furniture, fixture and office equipment, infrastructure, vessels, ATM's and helicopters to facilitate the operations of the Group.

(b) The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations.

(c) Buildings with a carrying value of SAR 622 million (2020: SAR 626 million) included in investment properties are constructed on a land leased from a Government Authority under two contracts for 99-years (2020: 99-years) and 50-years (2020: 50-years) beginning from 7 January 1993 and 6 July 2009, respectively, based on beneficial right, which will be transferred to the Authority at the end of the contract period.

(d) Amortization charges amounting to SAR 2 million (2020: SAR 79 million) pertaining to machinery and equipment are capitalized under contract assets in "Other assets".

(All amounts in million SAR unless otherwise stated)

9. INVESTMENT PROPERTIES

	Land	*Buildings*	*Capital work- in-progress*	***Total***
Cost				
As at 1 January 2021	9,989	5,272	12,585	**27,846**
Additions during the year	4,709	1,243	4,721	**10,673**
Acquired through business combination	2,636	-	-	**2,636**
Disposals	(15)	-	(13)	**(28)**
Transfers within investment properties	19	109	(128)	**-**
Transfers (to)/ from PPE	-	-	31	**31**
Transfers (to)/ from Inventories	(16)	-	(807)	**(823)**
Other transfers	-	84	-	**84**
Other adjustments	-	-	6	**6**
At 31 December 2021	**17,322**	**6,708**	**16,395**	**40,425**
Accumulated depreciation and impairment losses				
As at 1 January 2021	39	1,254	1,965	**3,258**
Depreciation charge for the year	-	151	-	**151**
Impairment (reversal of impairment) during the year	38	103	(171)	**(30)**
Transfers (to)/ from PPE / Inventories	-	-	(61)	**(61)**
Other adjustments	(1)	-	3	**2**
At 31 December 2021	**76**	**1,508**	**1,736**	**3,320**
Net carrying value				
Balance at 31 December 2021	**17,246**	**5,200**	**14,659**	**37,105**

	Land	*Buildings*	*Capital work- in-progress*	***Total***
Cost				
As at 1 January 2020 (unaudited)	9,978	4,844	10,616	**25,438**
Additions during the year	-	41	3,576	**3,617**
Disposals	(9)	-	-	**(9)**
Transferred to asset held for disposal	-	-	(985)	**(985)**
Transfers within investment properties	(17)	387	(370)	**-**
Transfers (to)/ from PPE	37	-	(254)	**(217)**
Other adjustments	-	-	2	**2**
At 31 December 2020	**9,989**	**5,272**	**12,585**	**27,846**
Accumulated depreciation and impairment losses				
As at 1 January 2020 (unaudited)	39	933	1,368	**2,340**
Depreciation charge for the year	-	142	-	**142**
Impairment during the year	-	165	744	**909**
Transfers (to)/ from PPE	-	-	(133)	**(133)**
Other adjustments	-	14	(14)	**-**
At 31 December 2020	**39**	**1,254**	**1,965**	**3,258**
Net carrying value				
Balance at 31 December 2020	**9,950**	**4,018**	**10,620**	**24,588**

(All amounts in million SAR unless otherwise stated)

9. INVESTMENT PROPERTIES (continued)

9.1 Allocation of depreciation charged for the year to:

	2021	*2020*
Cost of revenue	149	139
Administrative expenses	2	3
Total	**151**	**142**

9.2 Allocation of impairment charged for the year to:

	2021	*2020*
Cost of revenue	103	159
Administrative expenses	(133)	750
Total	**(30)**	**909**

9.3 Amounts recognized in consolidated statement of profit or loss arising from:

	2021	*2020*
Rental income derived from investment properties	453	331
Direct operating expenses included in cost of revenue	293	279
Direct operating expenses included in cost of revenue that did not generate rental income	22	19

9.4 Other disclosures related to investment properties

(a) Land includes one hundred and forty one land parcels (2020: seventy-three land parcels) which were contributed to the Fund at a nominal value of SAR 1 each. All of these land parcels are in Saudi Arabia.

(b) Certain land parcels owned by the Group are currently not available for use or development due to various reasons, of which certain reasons related to the areas where these lands are located and other related to the fact that they are under study from specialized committees to resolve these matters. The management is currently communicating with the related government agencies and committees to address these reasons to allow the use of these lands. The impact on the net realisable value of these lands is still uncertain and depend on the final results of the study by the assigned committees. The carrying value of these lands as at 31 December 2021 amounted to SAR 417 million (2020: SAR 417 million).

(c) During 2021, it came to management's attention that that a land included in one of the Group's projects is located within an area that is currently under study by the relevant government agencies with the aim of developing it, which may result into a fundamental change to the original project's plan and may impact the land's realisable value. The effect of the extent of this study remains uncertain and dependent on future developments by the relevant government agencies' plan. Management will continue to assess the financial impact of the developments. The carrying value of the related land and capital works-in-progress as at 31 December 2021 amounted to SAR 2,168 million and SAR 829 million respectively (2020: SAR 2,168 million and SAR 829 million respectively).

(d) As of 31 December 2020, the Group has reached an advance level of agreement with an identified buyer for the sale of a specified property and during the year ended 31 December 2021, the Group signed the agreement for the sale of such property. In accordance with the agreement, the Group shall complete the constructions of the property and will subsequently sell the same in accordance with terms and conditions specified in the agreement. Since the requirements specified in 'IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations' are being met, therefore this property disclosed in ' assets held for sale – discontinued operations' (refer to Note 20). During the year 2021, the cost incurred on the specified property is amounted to SAR 89 million and the fair value as at 31 December 2021 is SAR 1,032 million (2020: SAR 985 million).

(All amounts in million SAR unless otherwise stated)

9. INVESTMENT PROPERTIES (continued)

9.4 Other disclosures related to investment properties (continued)

(e) Capital work-in-progress includes borrowing costs capitalized during the year amounted to SAR 47 million (2020: SAR 36 million). The weighted-average interest rate ranges from 1.5% to 2% (2020: 1.93% to 4.00%) per annum in capital work in progress.

(f) Non-cash additions during the year amounted to SAR 4,740 million (2020: SAR 167 million).

9.5 Investment properties fair values

The fair value hierarchy disclosures as at 31 December 2021 are given below:

		Fair value hierarchy disclosure		
Category of assets	**Total carrying value**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Land	17,246	14,002	130,687	**144,689**
Buildings	5,201	45	7,861	**7,906**
Capital work-in-progress	14,658	2,189	12,514	**14,703**
Total	**37,105**	**16,236**	**151,062**	**167,298**

The fair value hierarchy disclosures as at 31 December 2020 are given below:

		Fair value hierarchy disclosure		
Category of assets	**Total carrying value**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Land	9,950	8,952	76,922	**85,874**
Buildings	4,018	3,972	3,619	**7,591**
Capital work-in-progress	10,620	1,394	11,811	**13,205**
Total	**24,588**	**14,318**	**92,352**	**106,670**

Fair values of investment properties are based on either level 2 or level 3 of fair value hierarchy as there are no quoted prices in an active market for such assets. The fair values of the properties are based on valuations performed on 31 December by CBRE Advisory Services LLC, Deloitte, Ahmed and Mohamed Sons of Ibrahim bin Saeedan for Real Estate Appraisal Company, Knight Frank, Century 21, Rawaj, Value Expert and ValuStart (independent valuers accredited by Saudi Authority for Accredited Valuers). Valuation techniques as permitted by IFRS 13 in accordance with recommendations of the International Valuation Standards Committee has been applied.

The fair value is determined using one or more of the following techniques (refer to note 46 for assumptions used):
- Discounted cash flow (DCF);
- Market comparable approach; and
- Replacement cost method.

Further, the valuation of certain land banks, fair value of which amounts to SAR 68,864 million, involves special assumptions. These special assumptions include: (1) the sites are above sea level, (2) properties are clear, vacant undeveloped land, (3) portion of land is a lake which will be deducted from the overall area of the property, and (4) the properties are not subject to the restrictions imposed by the Government and thus could be sold in the open market.

(All amounts in million SAR unless otherwise stated)

9. INVESTMENT PROPERTIES (continued)

9.6 Lands that cannot be fair valued

Following table summarises the lands for which fair values cannot be determined reliably as at 31 December 2021 and as at 31 December 2020:

Name	Area (km2)	Location	Proposed use	Year of contribution
Red Sea	33,798.61	Tabuk Region	Undetermined	2016
Neom	26,387.00	Tabuk Region	Undetermined	2016
Amaala	4,155.00	Tabuk Region	Undetermined	2019
Qiddiyah	366.90	Central Region	Undetermined	2016
Jeddah Lake Land	0.04	Makkah Region	Undetermined	2020

Fair value for Neom, Qiddiyah, Red Sea and Amaala lands, cannot be determined due to the size, location or absence of approved business plans. These lands are expected to be developed in phases over time. Jeddah Lake Land could not be valued since its boundaries are submerged.

9.7 Details of significant impairment assessment

As the Group is conducting a valuation of the investment properties each reporting period, the same valuation reports are used to identify the recoverable amount of such investment properties. Based on the valuations conducted by the valuers on 31 December 2021, decline in value of capital work-in-progress amounted to SAR 171 million (2020: SAR 166 million in buildings and SAR 743 million in capital work-in-progress respectively) compared with its carrying value has been recognized as an impairment during the year ended 31 December 2021.

The recoverable amount was determined based on the fair value less cost to sell using income approach. Key assumptions used for the value in use calculations are summarized below:

Assumptions	***2021***	***2020***
Growth Rate	2.0%	2.0%
Discount rate	9.64%-14.5%	10.51%
Period of cash flow	5 years	10 years
Rent free period	Up to 6 months	Up to 3 months

Management believes that no reasonable possible change in any of the above key assumptions would materiality affects the carrying value of the investment properties.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

10.1 Associates and joint ventures

	2021		*2020*	
	Associates	*Joint Ventures*	*Associates*	*Joint Ventures*
As at 1 January	**109,459**	**9,122**	101,172	8,678
Investments made during the year (refer to notes 10.4 and 10.6) [(a)]	**9,089**	**1,112**	4,603	860
Investments acquired through business combination	**7**	**-**	-	-
Share of results of associates and joint ventures - net [(b)]	**8,440**	**195**	5,000	(148)
Dividends received/receivable (refer to notes 10.5 and 10.7)	**(3,817)**	**(547)**	(2,327)	(287)
Disposals during the year [(c)]	**(10,709)**	**(77)**	-	-
Discontinuation of equity method due to acquisition of control [(d), (e)]	**(2,753)**	**-**	(3,402)	(2)
Additions due to loss of control [(f), (g)]	**-**	**-**	1,605	-
Share of other comprehensive income (loss)	**581**	**31**	(920)	(20)
Movement of net investments [(h)]	**1,453**	**-**	3,688	(18)
Other Movement [(i)]	**(2,162)**	**2,301**	-	-
Translation differences	**(396)**	**(3)**	40	59
At 31 December (before impairment allowance)	**109,192**	**12,134**	**109,459**	**9,122**
Allowance for impairment of investment in associates and joint ventures	**(1,834)**	**(1,022)**	**(2,058)**	**-**
Balance as at 31 December	**107,358**	**11,112**	**107,401**	**9,122**

10.2 Disclosure related to investments in associates and joint ventures:

(a) Investments made during the year ended 31 December 2021 include additional investments to existing associates (and associate reclassified to joint venture) amounting to SAR 2,363 million (2020: 4,540 million) and additional investments to existing joint ventures amounting to SAR 1,046 million (2020: SAR 834 million).

(b) For the year ended 31 December 2020, the Group has waived its share in the dividends declared by Saudi Electricity Company (SEC), provided that the declared dividends does not exceed 10% of the shares' par value, in accordance with Council of Ministers' Resolution No. 327 dated 24 Ramadan 1430H corresponding to 13 September 2009. Impact of this waiver has been adjusted against the Group's share in profit. This waiver is effective till 2020 and thereafter based on restructuring initiatives under Ministerial Committee, the Group will receive its share of dividend if and when distributed by SEC.

(c) During the year ended 31 December 2021, the Saudi National Bank (SNB) (formerly known as The National Commercial Bank) has entered into a merger agreement with Samba Financial Group ("Samba"), pursuant to which Samba ceased to exist and all of its assets and liabilities were transferred to the Group (refer to note 44).

(d) Up and until 25 November 2021, Fund had significant influence on Elm Company (formerly known as Al Elm Information Security Company) ("Elm") as the Fund had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Fund. The Government body's representation at the board of directors is more than that of the Fund. However, on 25 November 2021, through the amendment of by-laws, PIF as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November 2021 in these financial statements.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.2 Disclosure related to investments in associates and joint ventures (continued):

(e) Up and until 31 December 2019, the Group had significant influence on Tadawul Stock Exchange (Tadawul) as the Group had 100% shareholding and a right to vote at extra ordinary general meeting of Tadawul. Previously, Board of Directors of Tadawul were appointed by Council of Ministers and CMA, however, during the year ended 31 December 2020, through amendment of by-laws, on 2 January 2020, PIF as the shareholder has the right to appoint all members of the Board of Directors of Tadawul and accordingly has sufficient voting rights to control the relevant activities of Tadawul. Accordingly, Tadawul is reclassified from an associate to subsidiary effective 2 January 2020 and accordingly, was consolidated starting from January 2020 in these special purpose consolidated financial statements. As a result of this change, the Group also obtained control over Tadawul Real Estate Company (TREC) considering its effective shareholding and voting rights on BoD of the TREC and is reclassified from an associate to a subsidiary and was consolidated starting from January 2020 in these special purpose consolidated financial statements.

(f) Up and until 31 December 2019, the Group had control over relevant activities of Saudi Arabian Industrial Investment Company (Dussur) and Arabian Industrial Fibers Company (Ibn Rushd) considering its effective shareholding and representation on Board of Directors of these Companies through SABIC. However, during the year of 2020 and due to disposal of investment in SABIC (refer to Notes 14 and 20), the Group no longer has control over these companies and considering its direct shareholding and voting rights, both were classified as associate from the date of disposal of stake in SABIC as the Group has significant influence over them.

(g) During the year ended 2020, the Group has transferred its 100% stake in Tabadul, previously subsidiary of the Group, to Elm, one of the Group's associates, effective 1 January 2020 at a net book value of SAR 417 million. This was considered a common control transaction and accounted under the predecessor values method in these special purpose consolidated financial statements.

(h) For the year ended 31 December 2020, this mainly includes Group's share of other adjustment recorded in Saudi Electricity Company's (SEC) equity for the year ended 31 December 2020 related to conversion of Government entities liabilities of SEC into a Mudaraba instrument as part of SEC's restructuring arrangement with a Government body.

For the year ended 31 December 2021, this mainly Group's share of the overall increase in ACWA's equity arising from the increase in ACWA's authorized capital by 85,336,851 shares and offered these shares to the public on 11 October 2021. As a result, the Fund's equity interest was diluted from 50% to 44.16%. However, due to the overall increase in ACWA's equity, the Fund recognized a deemed gain amounting to SAR 1,446 million in the consolidated statement of profit or loss.

(i) During the year ended 31 December 2021, the Group increased its stake in AMPTJ through injection of additional capital to AMTPJ and conversion of loans into equity, which was previously classified as associate. Based on the new Joint Venture Agreement, AMTPJ is reclassified from associate to joint venture.

(j) Non-cash investments during the year of 2021 amounted to SAR 4,975 million (2020: SAR 312 million) and non-cash dividends amounted to SAR nil (2020: SAR 920 million).

10.3 Movement in allowance for impairment of investment in associates and joint ventures:

	Associates		*Joint Ventures*	
	2021	***2020***	***2021***	***2020***
As at 1 January	**2,058**	2,218	**-**	-
Charge (reversal) during the year	**264**	(639)	**248**	-
Other adjustments*	**(488)**	479	**774**	-
At 31 December	**1,834**	**2,058**	**1,022**	**-**

* Other adjustments include transferred amounts from allowance of provision on investment in associates and allowance of provision on loans and advances transferred to allowance of provision on investment in joint ventures.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.4 Investment in joint ventures:

The Group's interests in joint ventures are accounted for using the equity method in the special purpose consolidated financial statements. The following tables summarises information of the Group's joint ventures:

Joint Venture	***Country of incorporation***	***Percentage of ownership***		***Industry group***
		2021	***2020***	
Binariang GSM Holding ("BGSM")	Malaysia	**25.00%**	25.00%	Telecommunications services
G3 Global Holdings LP	Canada	**75.00%**	75.00%	Grain trading
Adeptio AD Holdings Ltd	Kingdom of Saudi Arabia	**50.00%**	50.00%	E-Commerce
Ma'aden Barrick Copper Company ("MBCC")	Kingdom of Saudi Arabia	**50.00%**	50.00%	Mining
Saudi Global Ports (SGP)	Kingdom of Saudi Arabia	**51.00%**	51.00%	Industrials
Wessal Bouregreg S.A	Kingdom of Morocco	**20.00%**	20.00%	Consumer Discretionary
Wessal Casa Port	Kingdom of Morocco	**20.00%**	20.00%	Consumer Discretionary
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	Kingdom of Saudi Arabia	**50.00%**	50.00%	Mining
Gulf Chemical Carriers Holdings Limited	Cayman Islands	**-**	41.28%	Marine
Wessal Tangier Marina	Kingdom of Morocco	**20.00%**	20.00%	Consumer Discretionary
Contact Centres Company ("CCC")	Kingdom of Saudi Arabia	**49.00%**	49.00%	Submission of proposals and technical solutions
National Grain Company	Kingdom of Saudi Arabia	**50.00%**	50.00%	Grain trading
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	**50.00%**	50.00%	Extension of telecom wiring
A Consortium to construct eight desalination plants [(b)]	Kingdom of Saudi Arabia	**33.00%**	33.00%	Desalination plant
Wessal Capital Asset Management	Kingdom of Morocco	**20.00%**	20.00%	Financials
Contribution in obtaining licenses to establish a smart poles plant (Icore Poles) of Photizio [(c)]	Kingdom of Saudi Arabia	**50.00%**	50.00%	Manufacturing and distribution of lighting
MOBCO PECSA JV	Kingdom of Saudi Arabia	**49.00%**	49.00%	Construction
Development of polyurea product with a joint project [(d)]	Kingdom of Saudi Arabia	**50.00%**	50.00%	Manufacture and marketing polyurea product
G3 Global Holdings GP Inc.	Canada	**75.00%**	75.00%	Grain trading
Saudi Defence Electronics Company (SADEC)	Kingdom of Saudi Arabia	**50.00%**	50.00%	Defence
Noon Investments Company [(e)]	UAE	**50.00%**	50.00%	E-commerce

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.4 Investment in joint ventures: (continued)

Joint Venture	*Country of incorporation*	*Percentage of ownership*		*Industry group*
		2021	*2020*	
ArcelorMittal Tubular Products Al-Jubail Company (“AMTPJ”) (f)	Kingdom of Saudi Arabia	**69.23%**	-	Materials
Electric Sea Racing Limited (g)	United Kingdom	**20.00%**	-	Communication Services
First Tech Web Company Ltd. (h)	Kingdom of Saudi Arabia	**50.00%**	-	Communication Services
NEOM Green Hydrogen Company(i)	Kingdom of Saudi Arabia	**33.00%**	-	Utilities
MBC Game Studio Company (i)	Kingdom of Saudi Arabia	**30.00%**	-	Information Technology
Minerva Foods Australia Pty Ltd (j)	Australia	**35.00%**	-	Consumer staples
Neptune Co. (k)	Cayman Island	**50.00%**	-	Vessel building

(a) The Group’s investment in joint ventures are not listed; hence, their fair value as at the reporting date are not available.

(b) During the year ended 31 December 2020, the Group, through one of its subsidiaries, entered into a joint arrangement on a share of 33.33% in an alliance with other companies ("Alliance"). This alliance aims to establish a company in the Kingdom of Saudi Arabia with the same percentage of partnership in the alliance. The coalition is working to construct eight desalination plants along the western coast of the Kingdom of Saudi Arabia that use reverse osmosis technology.

(c) The investment in the joint venture represent contribution of share of 50% with another company in obtaining licenses to establish a smart poles plant (Icore Poles) of Photizio, the statutory requirement for establishment of the plant has not been finalized until the date of the special purpose consolidated financial statements. The project aims to establish a joint company for manufacturing and distribution of lighting "Internet of Things" which include technology. The countries included within the project are: Kuwait - Saudi Arabia - UAE - Bahrain - Amman – Egypt.

(d) The investment in the joint venture represent development of polyurea product with a joint project with another company in the Kingdom of Saudi Arabia in order to develop, manufacture and marketing polyurea product in KSA and GCC Region. The agreement will be for 50% of equity for each party after establishing a new separate entity.

(e) The total share of loss attributable to the Group exceeded its investment in the joint venture. During the year ended 31 December 2021, the Group has recognized its share of loss amounting to SAR 881 million (2020: SAR 798 million). The share of loss was offset against due from joint venture. Excess share of loss amounting to SAR 271 million (2020: SAR 36 million), this was recognized against the amount due from Joint Venture. The total share of loss recorded in the current year was SAR 1,152 million (2020: SAR 834 million).

(f) The Fund increased its share in AMTPJ through injection of additional capital to AMTPJ amounting to SAR 563 million and conversion of loans into equity with carrying value of SAR 495 million, which was previously classified as associate. Based on the new Joint Venture agreement, AMPTJ is reclassified from associate to joint venture.

(g) During the year ended 31 December, the group entered into a joint arrangement on a share of 20.00% in Electric Sea Racing Limited (“E1 Series”) with an investment value of SAR 45 million. The main objectives are to create the world’s first electric powerboat racing competition.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.4 Investment in joint ventures: (continued)

(h) During the year ended 31 December 2021, the Group, through one of its subsidiaries, acquired 50% of First Tech Web Company Ltd. shares. The company is specialized in providing Broadband Satellite Services.

In accordance with the Joint Venture Agreement, the Group and the other investor in the joint venture have made additional contributions to the company.

(i) During December 2021, the Group, through one of its subsidiaries, entered into a joint arrangement with other companies on a share of 33% in NEOM Green Hydrogen Company. The main objectives of the company is the production of primary gases, including oxygen, hydrogen and ammonia. Also providing electric power generation and transmission.

During the same period, the subsidiary also entered into a joint arrangement with other companies on a share of 30% in MBC Game Studio Company. The main objectives of the company is providing videogames and videogames studio development.

As at 31 December 2021, there was no capital injected in the above two investments and both have not started their commercial operations.

(j) During December 2021, the Group, through one of its subsidiaries, entered into a joint arrangement with other company in Australia on a share of 35% in Minerva Foods Australia Pty Ltd. The main objective is to have meat processing facility in Australia to strengthen and make the meat supply chain in the Kingdom of Saudi Arabia more efficient and robust.

(k) During the year ended 31 December 2021, the Group, through one of its subsidiaries, has invested in Neptune Co. which is a corporation formed on November 5, 2020, in Grand Cayman, Cayman Islands. Neptune Co. is a joint venture in which the Group owned 50% of the interest as of 31 December 2021. The Joint venture is primarily engaged in the construction of a luxury vessel.

In accordance with the agreement under which Neptune Co. is established, the Group and the other investor in the joint venture have made additional contributions in proportion to their interests to make up any losses.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Summarized financial information for joint ventures:

For the year ended 31 December 2021:

Financial information	***Binariang GSM Holding ("BGSM")*** [(a)]	***G3 Global Holdings LP***	***Adeptio AD Holdings Ltd*** [(a)]	***ArcelorMittal Tubular Products Al-Jubail Company (AMTPJ)*** [(b)]	***Ma'aden Barrick Copper Company ("MBCC")*** [(c)]	***Individually immaterial joint ventures***
Current assets	2,787	3,530	4,287	2,011	857	
Non-current assets	27,417	4,841	11,905	4,497	1,592	
Current liabilities	5,304	2,088	4,493	1,636	392	
Non-current liabilities	13,549	3,221	4,145	2,766	116	
Cash and cash equivalents included in current assets	1,312	1,511	1,719	313	319	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	1,920	399	1,359	890	13	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	12,187	3,221	3,733	2,660	37	
Equity attributable shareholders of the joint ventures	481	3,062	7,300	2,106	1,941	
Carrying amount of investment	**4,570**	**1,831**	**1,474**	**1,212**	**960**	**1,065**
Total carrying value of investments in joint ventures						**11,112**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Summarized financial information for joint ventures (continued):

For the year ended 31 December 2021:

Financial information	*Binariang GSM Holding ("BGSM")*	*G3 Global Holdings LP*	*Adeptio AD Holdings Ltd*	*ArcelorMittal Tubular Products Al-Jubail Company (AMTPJ)*	*Ma'aden Barrick Copper Company ("MBCC")*	*Individually immaterial joint ventures*
Revenue	8,154	12,518	12,542	1,248	2,221	
Profit or loss from continuing operations	641	240	951	(317)	1,149	
Other comprehensive income (loss)	11	7	173	2	(2)	
Total comprehensive income (loss)	652	247	1,124	(315)	1,147	
Depreciation and amortisation	1,648	252	1,025	156	185	
Interest income	55	4	2	-	-	
Interest expense	874	135	220	123	(2)	
Income tax / Zakat expense or (income)	383	19	146	29	161	
Dividends received	-	-	-	-	546	1
Group's share of profit (loss) from continuing operations	59	143	446	(153)	570	(870)
Group's share of other comprehensive income (loss)	(47)	4	83	1	(1)	(9)
Group's share of total comprehensive income (loss)	12	147	529	(152)	569	(879)
Total dividends received						**547**
Total Group's share of profit (loss) from continuing operations						**195**
Total Group's share of other comprehensive income						**31**
Total Group's share of total comprehensive income						**226**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Summarized financial information for joint ventures: (continued)

For the year ended 31 December 2020:

Financial information	*Binariang GSM Holding ("BGSM")* [(a)]	*G3 Global Holdings LP*	*Adeptio AD Holdings Ltd* [(a)]	*ArcelorMittal Tubular Products Al-Jubail Company (AMTPJ)* [(b)]	*Ma'aden Barrick Copper Company ("MBCC")* [(c)]	*Individually immaterial joint ventures*
Current assets	3,085	2,623	4,834	-	514	
Non-current assets	27,709	4,853	12,046	-	1,692	
Current liabilities	5,055	1,717	3,926	-	195	
Non-current liabilities	13,691	2,993	4,793	-	126	
Cash and cash equivalents included in current assets	939	764	2,452	-	268	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	1,160	833	1,119	-	174	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	12,920	2,993	4,793	-	78	
Equity attributable shareholders of the joint ventures	376	2,230	7,932	-	1,885	
Carrying amount of investment	**4,813**	**1,673**	**945**	**-**	**936**	**755**
Total carrying value of investments in joint ventures						**9,122**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Summarized financial information for joint ventures: (continued)

For the year ended 31 December 2020:

Financial information	*Binariang GSM Holding ("BGSM")*	*G3 Global Holdings LP*	*Adeptio AD Holdings Ltd*	*ArcelorMittal Tubular Products Al-Jubail Company (AMTPJ)* [(b)]	*Ma'aden Barrick Copper Company ("MBCC")*	*Individually immaterial joint ventures*
Revenue	8,502	8,401	10,408	-	1,449	
Profit or loss from continuing operations	725	87	635	-	595	
Other comprehensive income (loss)	(9)	-	(90)	-	(1)	
Total comprehensive income (loss)	716	87	545	-	594	
Depreciation and amortisation	1,295	154	1,070	-	171	
Interest income	89	3	44	-	-	
Interest expense	912	75	314	-	(1)	
Income tax / Zakat expense or (income)	437	(4)	114	-	83	
Dividends received	-	-	-	-	287	-
Group's share of profit (loss) from continuing operations	66	56	318	-	297	(885)
Group's share of other comprehensive income (loss)	31	-	(45)	-	(1)	(5)
Group's share of total comprehensive income (loss)	97	56	273	-	296	(56)
Total dividends received						**287**
Total Group's share of profit (loss) from continuing operations						**(148)**
Total Group's share of other comprehensive income						**(20)**
Total Group's share of total comprehensive income						**666**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Summarized financial information for joint ventures: (continued)

(a) The following is the reconciliation for material differences between the Group's share of net assets in the joint ventures and the carrying amount of the investments in the joint ventures:

	2021		***2020***	
	"BGSM"*	**Adeptio AD**	**"BGSM"**	**Adeptio AD**
Net assets of the joint venture	**481**	**7,300**	**376**	**7,932**
The Group's share of ownership interest in the joint venture	120	3,650	94	3,966
Due from related party	-	(2,440)	-	(3,285)
Goodwill and fair value adjustments, net	1,007	264	1,184	264
Adjustments: the carve-out of Aircel Group and others	3,443	-	3,535	-
Carrying amount of the Group's interest in the joint venture	**4,570**	**1,474**	**4,813**	**945**

* During the year ended 31 December 2021, the Group recognized an impairment provision amounting to SAR 177 million (2020: nil) related to its investment in BGSM as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM based on the fair value less cost of disposal method. The fair value measurement is considered at level 2 in the fair value hierarchy due to significant observable valuation inputs.

(b) During the year ended 31 December 2020, AMTPJ was classified as an associate and during the year ended 31 December 2021 it was reclassified to a joint venture (refer to note 10.4)

(c) The Group's proportionate ownership share in net assets includes zakat and severance fees impact which is applicable to the Saudi shareholder only.

(d) The Group has commitments to provide funding for one of the joint venture's capital commitments, which is amounting to SAR 5,321 million (2020: SAR 5,321 million), if called. During the year ended 31 December 2021, SAR 982 million (2020: SAR 1,117 million) has been drawn.

(e) As at 31 December 2021, tax claims and contingent tax liabilities against joint ventures amounted to SAR 786 million (2020: SAR 859 million). The Group share in these claims amount to SAR 393 million (2020: SAR 429 million).

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.6 Investments in associates:

The Group's interests in associates are accounted for using the equity method in the special purpose consolidated financial statements. The following tables summarises information of the Group's associates:

Associate	*Industry Group*	*Percentage of ownership*		*Fair value of ownership (if listed)*		*Principal place of business*
		2021	***2020***	***2021***	***2020***	
Saudi Electricity Company (SEC)	Utilities	**75.1%**	75.10%	**75,039**	66,653	Kingdom of Saudi Arabia
Samba Financial Group [a] (refer to note 44)	Financials	**-**	22.91%	**-**	14,000	Kingdom of Saudi Arabia
Riyad Bank	Financials	**21.75%**	21.75%	**17,686**	13,183	Kingdom of Saudi Arabia
International Company for Water & Power Projects (ACWA) [b]	Utilities	**44.16%**	50.00%	**27,122**	-	Kingdom of Saudi Arabia
POSCO Engineering and Construction Co. Ltd	Manufacturing industry	**38.00%**	38.00%	**-**	-	South Korea
Alinma Bank [a]	Financials	**10.00%**	10.00%	**4,792**	3,236	Kingdom of Saudi Arabia
National Shipping Company of Saudi Arabia (Bahri)	Energy	**22.55%**	22.55%	**2,881**	3,601	Kingdom of Saudi Arabia
Elm Company (formerly known as Al Elm Information Security Company) ("Elm") (refer to note 44)	Information Technology	**-**	100.00%	**-**	-	Kingdom of Saudi Arabia
Arab Satellite Communications Organization ("Arabsat")	Satellite Operator	**36.66%**	36.66%		-	Kingdom of Saudi Arabia
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	Utilities	**24.81%**	24.81%	**-**	-	Kingdom of Saudi Arabia
Southern Province Cement Company	Materials	**37.43%**	37.43%	**3,674**	4,418	Kingdom of Saudi Arabia
Minerva S.A.	Agricultural sector	**33.83%**	33.83%	**1,324**	1,358	Brazil
Shuaibah Water and Electricity Company (SWEC)	Utilities	**32.00%**	32.00%	**-**	-	Kingdom of Saudi Arabia
Saudi Arabian Industrial Investment Company (Dussur) [c]	Industrial	**50.00%**	50.00%	**-**	-	Kingdom of Saudi Arabia
Saudi Information Technology Company (SITE)	Information Technology	**100.00%**	100.00%	**-**	-	Kingdom of Saudi Arabia
Qassim Cement Company	Materials	**23.35%**	23.35%	**1,591**	1,703	Kingdom of Saudi Arabia
Air Liquide Arabia (ALAR)	Services	**35.00%**	35.00%	**-**	-	Kingdom of Saudi Arabia
Commercial Real Estate Markets Company	Real Estate	**60.00%**	60.00%	**-**	-	Kingdom of Saudi Arabia
Shuqaiq Water and Electricity Company (SWQEC)	Utilities	**32.00%**	32.00%	**-**	-	Kingdom of Saudi Arabia
Fund of Funds Company [d]	Financials	**100.00%**	100.00%	**-**	-	Kingdom of Saudi Arabia
National Agricultural Development Company (NADEC)	Consumer Staples	**20.00%**	20.00%	**617**	606	Kingdom of Saudi Arabia
Riyadh Holding Company	Real Estate	**16.67%**	16.67%	**-**	-	Kingdom of Saudi Arabia
Bidaya Home Financing Company	Financials	**22.22%**	22.22%	**-**	-	Kingdom of Saudi Arabia
Saudi Fisheries Company	Consumer Staples	**40.00%**	40.00%	**728**	878	Kingdom of Saudi Arabia
Taqa Al-Rushaid for Marine Works Company Limited (TAM)	Services	**50.00%**	50.00%	**-**	-	Kingdom of Saudi Arabia

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.6 Investments in associates: (continued)

Associate	*Industry Group*	*Percentage of ownership*		*Fair value of ownership (if listed)*		*Principal place of business*
		2021	*2020*	*2021*	*2020*	
GCC Electrical Equipment Testing Laboratory	Industrials	**20.00%**	20.00%	**-**	-	Kingdom of Saudi Arabia
Middle East Propulsion Company Ltd (MEPC)	Aircraft MRO	**33.70%**	33.70%	**-**	-	Kingdom of Saudi Arabia
Oliden	Services	**35.00%**	35.00%	**-**	-	USA
Daawat Foods Limited	Agricultural sector	**29.51%**	29.51%	**-**	-	India
Al-Ahli Takaful Company	Insurance	**29.90%**	29.90%	**546**	582	Kingdom of Saudi Arabia
Shuaibah Expansion Holding Company (SEHCO)	Utilities	**32.00%**	32.00%	**-**	-	Kingdom of Saudi Arabia
OPT Petroleum Technologies Company Limited (OPTC)	Services	**25.00%**	25.00%	**-**	-	China
Jasara Program Management Company	Industrial	**40.00%**	40.00%	**-**	-	Kingdom of Saudi Arabia
ArcelorMittal Tubular Products Al-Jubail Company (refer to note 10.4)	Materials	**-**	42.24%	**-**	-	Kingdom of Saudi Arabia
Hummingbird Technologies Limited	Agricultural	**15.89%**	15.89%	**-**	-	United Kingdom
ASMA Capital	Financials	**20.00%**	20.00%	**-**	-	Bahrain
Virgin Mobile Saudi Consortium ("VMSC")	Telecom	**10.00%**	10.00%	**-**	-	Kingdom of Saudi Arabia
Arabian Industrial Fibers Company (Ibn Rushd) [(c)]	Materials	**33.51%**	33.51%	**-**	-	Kingdom of Saudi Arabia
Saudi Heritage Hospitality Company (NUZUL) [(e)]	Consumer Services	**15.00%**	15.00%	**-**	-	Kingdom of Saudi Arabia
Emaar Economic City Company [(f)]	Real Estate	**25.00%**	-	**3,383**	-	Kingdom of Saudi Arabia
Innovative Energy Holding Ltd [(g)]	Energy	**35.50%**	-	-	-	Kingdom of Saudi Arabia
Red Sea Gateway Terminal Company [(h)]	Industrial	**20.00%**	-	-		Kingdom of Saudi Arabia
Oger Telecom Limited ("OTL") [(i)]	Telecom	**35.00%**	35.00%	-	-	United Arab Emirates
Sudair One Holding Company (HoldCo.)	Holding company	**35.00%**	-	-	-	Kingdom of Saudi Arabia
Connect Arabia W.L.L. ("Virgin Mobile Kuwait" or "VMK") [(j)]	Telecom	**10.00%**	-	-	-	State of Kuwait
SenseWonder Technology Limited	Information Technology	**49.00%**	-	-	-	China
OpenSooq [(k)]	Information Technology	**16.30%**	-	-	-	Virgin Islands
Horacio Pagani SpA [(l)]	Automobile	**29.00%**	-	-	-	Italy

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.6 Investments in associates: (continued)

(a) The ownership percentages for Samba Financial Group (for the year ended 31 December 2020) and Alinma Bank (for the years ended 31 December 2020 and 31 December 2021) are computed using the PIF owned shares over the issued shares not adjusted for treasury shares. For the purposes of the Group's share of net assets of investees, effective ownership percentage is used.

(b) During the year ended 31 December 2020, the Group acquired additional stake of 25.02% in ACWA from previous shareholders of ACWA. This did not result in the Group obtaining control of ACWA.

On 11 October 2021, ACWA increased its authorized capital by 85,336,851 shares and offered these shares to the public. As a result, the Fund's equity interest was diluted from 50% to 44.16%.

(c) Up and until 31 December 2019, the Group had control over relevant activities of Ibn Rushd and Dussur considering its effective shareholding and representation on Board of Directors of these companies through SABIC. However, during the year ended 31 December 2020 and due to disposal of investment in SABIC (refer to Notes 14 and 20), the Group no longer has control over these companies and considering its direct shareholding and voting rights, these are classified as associates from the date of disposal of stake in SABIC as the Group has significant influence over these Companies.

(d) The financial statements for year ended 31 December 2021 of these entities were not audited.

(e) Saudi Heritage Hospitality Company (NUZUL) is under liquidation as at 31 December 2021.

(f) During the year ended 31 December 2021, the Group acquires 25.00% equity stake in Emaar the Economic City ("EEC"). The transaction involved the novation to PIF of SAR 2,833 million of EEC's debt. Post the completion of the novation, the Group has become an equity investor in EEC following the issuing of new shares by debt conversion.

(g) Innovative Energy is a newly established company that is jointly owned by the Public Investment Fund ("PIF"), for a 35.5% stake, Zamil Group Investment Co. ("Zamil Investments"), and ADES Investments Holding Ltd. Innovative Energy has acquired all of ADES International shares. ADES International Holding plc is a leading oil and gas drilling and production services provider in the Middle East and North Africa

(h) During the year ended 31 December 2021, the Group acquires 20.00% equity stake in Red Sea Gateway Terminal Company with a total amount of SAR 525 million. The Red Sea Gateway Terminal was established in 2009 as Saudi Arabia's first private sector Build-Operate-Transfer project.

(i) As at 31 December 2021, OTL has reached the final stages of liquidation with most of its assets and liabilities disposed of. As a result, the Group, through one of its subsidiaries, has reclassified to the consolidated statement of profit or loss an amount of SAR 152 million in relation to its share in other reserves that may be reclassified to profit or loss. Furthermore, an amount of SAR 849 million relating to other reserves that may not be reclassified to consolidated statement of profit or loss has been reclassified directly to retained earnings.

(j) During the year ended 31 December 2021, the Group, through one of its subsidiaries, acquired 10% equity shareholding in VMK that was established in 2021 as a mobile virtual network operator in the state of Kuwait.

(k) During the year ended 31 December 2021, the Group, through one of its subsidiaries, acquired 16.3% equity shareholding in OpenSooq. Launched in 2012, OpenSooq.com is a leading mobile classifieds marketplace operating across the Middle East and North Africa region (MENA), connecting millions of buyers and sellers together without intermediaries.

(l) During the year ended 31 December 2021, the Group, through one of its subsidiaries, acquired 30% equity shareholding in Horacio Pagani SpA. Horacio Pagani SpA is one of the world's most exclusive hyper cars brands.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.7 Summarized financial information for associates:

For the year ended 31 December 2021:

Associate	*Current assets*	*Non-current assets*	*Current liabilities*	*Non-current liabilities*	*Equity attributable to shareholders of associates*	*Carrying value of investments in associates*
Saudi Electricity Company (SEC)	33,359	441,523	64,512	158,748	83,703[(a)]	62,217
Riyad Bank	192,338	133,398	99,681	178,755	47,300	10,289
International Company for Water & Power Projects (ACWA) [(b)]	9,668	36,040	5,086	26,303	13,484[(c)]	8,385
POSCO Engineering and Construction Co. Ltd	15,341	7,980	10,426	2,245	9,993[(c)]	3,619
Emaar Economic City Company (“EEC”)	1,367	14,205	5,148	2,545	7,879	2,782
Alinma Bank	45,771	127,705	48,200	94,565	30,711	2,587
National Shipping Company of Saudi Arabia (Bahri)	3,914	17,758	6,687	5,025	9,413	2,123
Horacio Pagani SpA	-	-	-	-	-	2,000
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	3,397	20,713	2,197	14,362	7,551	1,873
Arab Satellite Communications Organization (“Arabsat”) [(d)]	1,627	6,168	565	2,346	4,884	1,240
Southern Province Cement Company	1,178	2,826	426	371	3,207	1,201
Minerva S.A.	9,266	4,242	4,872	8,196	440[(c)]	1,018
Fund of Funds Company	552	475	29	-	998	998
Shuaibah Water and Electricity Company (SWEC) [(e)]	393	5,667	732	2,780	2,548	895
Innovative Energy Holding Ltd	1,156	5,536	977	3,767	1,948	777
Saudi Information Technology Company (SITE)	1,019	170	382	161	646	646
Saudi Arabian Industrial Investment Company (Dussur)	1,074	446	263	17	1,240	613
Individually immaterial associates						4,095
Total						**107,358**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.7 Summarized financial information for associates: (continued)

For the year ended 31 December 2021:

Associate	*Revenue*	*Profit (loss) attributable to shareholders*	*Other comprehensive income (loss)*	*Total comprehensive income (loss)*	*Dividends received*	*Group's share of profit / (loss)*	*Group's share of other comprehensive income (loss)*	*Group's share of total comprehensive income (loss)*
Saudi Electricity Company (SEC)	69,338	14,391	103	14,494	2,190	5,054	77	5,131
Riyad Bank	11,568	6,025	(81)	5,944	653	1,311	(18)	1,293
International Company for Water & Power Projects (ACWA)	5,361	759	1,226	1,985	-	362	712	1,074
POSCO Engineering and Construction Co. Ltd	26,883	943	78	1,021	27	351	26	377
Emaar Economic City Company ("EEC")	372	(827)	49	(778)	-	(54)	3	(51)
Alinma Bank	5,674	2,709	(48)	2,661	130	262	(3)	259
National Shipping Company of Saudi Arabia (Bahri)	5,351	192	18	210	178	43	4	47
Horacio Pagani SpA	-	-	-	-	-	-	-	-
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	6,192	632	97	729	32	154	24	178
Arab Satellite Communications Organization ("Arabsat")	813	(11)	(39)	(50)	8	(4)	(14)	(18)
Southern Province Cement Company	1,339	450	3	453	197	169	1	170
Minerva S.A.	18,736	416	(362)	54	137	137	(120)	17
Fund of Funds Company	75	33	-	33	-	33	-	33
Shuaibah Water and Electricity Company (SWEC)	1,090	394	108	502	49	133	37	170
Innovative Energy Holding Ltd	1,514	119	13	132	-	44	4	48
Saudi Information Technology Company (SITE)	932	59	12	71	-	59	12	71
Saudi Arabian Industrial Investment Company (Dussur)	-	(111)	(7)	(118)	-	(55)	(3)	(58)
Individually immaterial associates					216	441	(161)	280
Total					**3,817**	**8,440**	**581**	**9,021**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.7 Summarized financial information for associates: (continued)

For the year ended 31 December 2020:

Associate	*Current assets*	*Non-current assets*	*Current liabilities*	*Non-current liabilities*	*Equity attributable to shareholders of associates*	*Carrying value of investments in associates*
Saudi Electricity Company (SEC)	45,788	439,662	(71,130)	(166,545)	78,927[a]	**59,276**
Samba Financial Group	98,323	198,622	(91,885)	(157,010)	47,958	**11,225**
Riyad Bank	191,220	118,868	(100,450)	(165,283)	44,355	**9,649**
International Company for Water & Power Projects (ACWA) [b]	5,373	30,950	(7,194)	(21,728)	6,869 [c]	**5,866**
POSCO Engineering and Construction Co. Ltd	15,461	7,915	(10,281)	(2,517)	9,931[c]	**3,090**
Alinma Bank	51,298	105,579	(124,213)	(8,235)	24,429	**2,459**
National Shipping Company of Saudi Arabia (Bahri)	3,907	17,198	(2,372)	(8,235)	9,990	**2,253**
Elm Company (formerly known as Al Elm Information Security Company) (“Elm”)	3,282	731	(1,375)	(404)	2,234	**2,234**
Arab Satellite Communications Organization (“Arabsat”)	1,504	6,036	(466)	(2,119)	4,955	**1,817**
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	3,523	20,589	(2,620)	(14,504)	6,934	**1,720**
Southern Province Cement Company	1,174	2,971	(420)	(445)	3,280	**1,228**
Minerva S.A.	11,143	5,566	(6,315)	(9,565)	829 [c]	**1,164**
Shuaibah Water and Electricity Company (SWEC) [e]	330	5,933	(758)	(3,321)	2,184	**774**
Saudi Arabian Industrial Investment Company (Dussur)	274	1,160	(58)	(19)	1,357	**670**
Saudi Information Technology Company (SITE)	905	112	(380)	(61)	576	**576**
Individually immaterial associates						**3,400**
Total						**107,401**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.7 Summarized financial information for associates: (continued)

For the year ended 31 December 2020:

Associate	*Revenue*	*Profit (loss) attributable to shareholders*	*Other comprehensive income (loss)*	*Total comprehensive income (loss)*	*Dividends received*	*Group's share of profit / (loss)*	*Group's share of other comprehensive income (loss)*	*Group's share of total comprehensive income (loss)*
Saudi Electricity Company (SEC)	68,709	3,026	(710)	2,316	23	1,036	(533)	503
Samba Financial Group	9,425	4,201	(272)	3,929	321	983	(64)	919
Riyad Bank	11,205	4,715	719	5,434	359	1,026	156	1,182
International Company for Water & Power Projects (ACWA)	4,829	883	(1,557)	(674)	901	245	(306)	(61)
POSCO Engineering and Construction Co. Ltd	24,841	799	(19)	780	24	304	(7)	297
Alinma Bank	5,734	1,966	14	1,980	-	198	2	200
National Shipping Company of Saudi Arabia (Bahri)	8,393	1,571	(6)	1,565	178	354	(2)	352
Elm Company (formerly known as Al Elm Information Security Company) ("Elm")	2,466	307	1	308	-	307	1	308
Arab Satellite Communications Organization ("Arabsat")	846	56	71	127	17	(26)	28	2
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	6,092	267	(64)	203	25	65	(16)	49
Southern Province Cement Company	1,653	609	(6)	603	236	228	(2)	226
Minerva S.A.	18,104	650	(558)	92	41	144	(131)	13
Shuaibah Water and Electricity Company (SWEC)	1,051	298	(21)	277	53	98	(7)	91
Saudi Arabian Industrial Investment Company (Dussur)	-	(119)	-	(119)	-	(31)	-	(31)
Saudi Information Technology Company (SITE)	431	(133)	(2)	(135)	-	(133)	(2)	(135)
Individually immaterial associates					149	202	(37)	165
Total					**2,327**	**5,000**	**(920)**	**4,080**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.7 Summarized financial information for associates: (continued)

(a) The amount represents SEC's net assets excluding Mudaraba instrument amounting SAR 168,781 million (2020: SAR 168,848 million), which is classified within equity in SEC's financial statements.

(b) During 2020, ACWA declared dividend where the Group's share amounted to SAR 901 million. Based on a triparty agreement between PIF, ACWA and Water & Electricity Holding Company (WEHC), a wholly owned subsidiary of the Group, the Group transferred the right to receive this dividend to WEHC, as a result, this dividend was converted into a loan from WEHC to ACWA.

(c) The following is the reconciliation for material differences between the Group's share of net assets in the associates and the carrying amount of the investments in the associates:

	2021				*2020*			
	ACWA	**POSCO**	**Minerva**	**EEC**	**ACWA**	**POSCO**	**Minerva**	**EEC**
Equity attributable to shareholders of the associates	**13,484**	**9,993**	**440**	**7,879**	6,869	9,931	829	-
The Group's share in net assets of the associates	5,954	3,797	135	1,970	3,435	3,774	211	-
Allowance for impairment loss recognized	-	-	-	-	-	(497)		-
Goodwill and fair value adjustments	2,431	-	781	812	2,431	-	781	-
Movements during the years	-	-	90	-	-	-	172	-
Translation and other adjustments	-	(178)	12	-	-	(187)	-	-
Carrying amount	**8,385**	**3,619**	**1,018**	**2,782**	**5,866**	**3,090**	**1,164**	**-**

During the year ended 31 December 2021, the Group recognized a reversal of impairment amounting SAR 497 million on its investment in POSCO based on the difference between the fair value of the Group's share in the equity-accounted investee and the carrying value of the Group's investment as at the year end. The fair value has been estimated using discounted cash flow under income approach.

(d) For the year ended 31 December 2021, the Group's share in Arabsat's results was based on the latest available financial information and recognized an impairment of SAR 550 million (2020: SAR nil) against its share of the possible impairment of Arabsat assets. Further, Arabsat did not issue its consolidated financial statements, and impairment assessment of its assets is still on-going. The Group's management will continue to assess the impact, if any, in future periods which are not expected to be material.

(e) The Group, through its subsidiary, has a shareholder agreement with SWEC wherein the Group is required to reimburse its respective share of Zakat payment made by SWEC.

(f) The Group's share of contingent liabilities incurred jointly with other investors of the associate is amounting to SAR 3,900 million (2020: SAR 4,092 million).

(g) Shares in one of the associates amounting to SAR 14 million are pledged against borrowing taken by one of the joint ventures.

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX

The Fund is not subject to Zakat in accordance with Royal Order No. 35657 dated 29 Jumada Al-Thani 1442H (corresponding to 11 February 2021). For prior years, the Fund was not subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia. All wholly owned companies by the Fund are subject to Zakat except for:

- the wholly owned companies, and their wholly owned companies, which hold all of its direct investments outside the Kingdom of Saudi Arabia, and
- other wholly owned companies, directly or indirectly, that are exempted based on mutual agreement between the Fund and ZATCA, for specific and agreed duration.

Although exempted subsidiaries are not subject to zakat, the requirement to submit their zakat return to ZATCA annually continues to remain effective.

The individual subsidiaries subject to Zakat within the Group calculates and records the zakat provision based on the zakat base in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Zakat expense is charged to the consolidated statement of profit or loss.

The income tax expense payable by foreign subsidiaries, in accordance with the prevailing tax regulations in their countries and by subsidiaries that have foreign shareholders.

11.1 Zakat and income tax expense

	2021	***2020***
Zakat expense (A)	3,931	3,320
Current taxes (B)		
Charges for the year	133	55
Changes in estimates related to prior years	(3)	(6)
Deferred tax (C)	136	(20)
Total (A+B+C)	**4,197**	**3,349**

11.2 Income taxes charged to other comprehensive income

	2021	***2020***
Income tax on other comprehensive income that may be reclassified to the profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	-	(29)
Net gain/(loss) on cash flow hedges	-	(5)
Income tax on other comprehensive income that will not be reclassified to the profit or loss in subsequent periods:		
Remeasurements gain/(loss) on employees' defined benefits obligations	(29)	1
Total	**(29)**	**(33)**

11.3 Zakat and income tax payable

	2021	***2020***
Zakat provision	4,804	4,244
Current income tax provision	192	52
Total	**4,996**	**4,296**

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX (continued)

11.4 The movement in Zakat provision is as follows:

	2021	*2020*
As at 1 January	4,244	3,399
Charge during the year	3,879	3,286
Change in provision related to prior years	52	34
Amount acquired through business combination	9	-
Amount paid during the year	(3,180)	(2,475)
Other settlements	(200)	-
At 31 December	**4,804**	**4,244**

11.5 The movement in Income tax provision is as follows:

	2021	*2020*
As at 1 January	52	50
Charge during the year	133	55
Changes in estimates related to prior years	(3)	(6)
Amount acquired through business combination	82	-
Amount paid during the year	(62)	(47)
Other settlements	(10)	-
At 31 December	**192**	**52**

11.6 Unrecognized deferred tax assets:

	2021		*2020*	
	Gross amount	**Tax effect**	**Gross amount**	**Tax effect**
Deductible temporary differences	3,052	686	-	-
Carried forward tax losses	14,575	1,862	760	137

11.7 Other disclosures related to zakat and income tax:

(a) Pursuant to the merger of Saudi National Bank ("SNB" or the "Bank") with Samba Financial Group ("Samba") (refer to note 44) the Bank has assumed all Samba's obligation owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), to be paid through 2023 in equal installments. The Bank has already paid four instalments of SAR 1,575 million up to December 2021. Also, in respect to the prior year assessments related to Samba, the Bank is in the process of finalizing all the pending obligations with ZATCA.

(b) Most of the Group's subsidiaries have filed their zakat returns up to 31 December 2020 and has received provisional certificates for the same.

Some subsidiaries of the Group that are subject to Zakat have received zakat assessments that include differences related to the zakat declarations submitted by the respective subsidiaries for the years range from 2014 to 2019 (2020: 2015 to 2017) amounting to SAR 299 million (2020: SAR 865 million), and the Group, through its subsidiaries objected to them within the statutory deadline. The Group believes that the result of this objection will be in its favour and no material additional provisions are required.

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX (continued)

11.8 The movements in deferred tax assets and liabilities is as follows:

For the year ended 31 December 2021:

	Opening Balance	*Recognized in consolidated statement of profit or loss*	*Recognized in consolidated statement of comprehensive income*	*Others [(a)]*	*Closing balance*
Deferred tax assets:					
Property, plant and equipment	(1)	141	-	294	**434**
Employees' benefits obligations	18	-	-	39	**57**
Provisions	11	(7)	-	18	**22**
Carried forward tax losses	815	(264)	-	2,009	**2,560**
Others	3	157	(29)	(2,323)	**(2,192)**
Sub-total (A)	**846**	**27**	**(29)**	**37**	**881**
Deferred tax liabilities					
Property, plant and equipment	1,190	83	(1)	2	**1,274**
Intangible assets	-	(9)	-	257	**248**
Investment in associates and joint ventures	-	108	-	-	**108**
Employees' benefits obligations	(27)	-	1	-	**(26)**
Borrowings	-	(1)	-	30	**29**
Others	(8)	(18)	-	190	**164**
Sub-total (B)	**1,155**	**163**	**-**	**479**	**1,797**
Net Deferred tax liability (A-B)	**(309)**	**(136)**	**(29)**	**(442)**	**(916)**

(a) Others primarily comprises of SR 467 million (2020: nil) acquired in business combinations.

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX (continued)

11.8 The movements in deferred tax assets and liabilities is as follows: (continued)

For the year ended 31 December 2020:

	Opening Balance	*Recognized in consolidated statement of profit or loss*	*Recognized in consolidated statement of comprehensive income*	*Others*	*Closing balance*
Deferred tax assets:					
Property, plant and equipment	(21)	(4)	-	24	(1)
Employees' benefits obligations	19	-	-	(1)	18
Provisions	13	(2)	-	-	11
Carried forward tax losses	670	192	-	(47)	815
Others	(4)	4	4	(1)	3
Sub-total (A)	**677**	**190**	**4**	**(25)**	**846**
Deferred tax liabilities					
Property, plant and equipment	1,037	174	(21)	-	1,190
Employees' benefits obligations	(26)	(1)	-	-	(27)
Borrowings	9	(8)	(1)	-	-
Others	(6)	5	(7)	-	(8)
Sub-total (B)	**1,014**	**170**	**(29)**	**-**	**1,155**
Net Deferred tax liability (A-B)	**(337)**	**20**	**33**	**(25)**	**(309)**

11.9 Tax losses carried forward for which no deferred tax is recognized

	2021		***2020***	
	Amount	***Expiry period***	***Amount***	***Expiry period***
Expire	817	[2023-2041]	352	[2035-2040]
Never expire	7,693		408	

(All amounts in million SAR unless otherwise stated)

12. INVENTORIES

	2021	*2020*
Finished Goods	4,896	3,867
Spare parts	3,477	3,077
Work-in-progress	2,127	1,086
Raw materials	1,913	941
Agricultural produce	452	226
Stockpiles of mined ore	406	336
Other inventory	66	2
	13,337	**9,535**
Less: Provision for obsolete and slow-moving inventories	(791)	(532)
Total	**12,546**	**9,003**
Disclosed as:		
Non-current	877	195
Current	11,669	8,808
Total	**12,546**	**9,003**

12.1 The movement in allowance for obsolete and slow-moving inventories:

	2021	*2020*
As at 1 January	532	560
Charge during the year	389	24
Reversal during the year	(4)	(52)
Write-off	(126)	-
At 31 December	**791**	**532**

12.2 Other disclosures related to inventories:

(a) For the year ended 31 December 2021, SAR 370 million (2020: SAR 36 million) was recognized as an expense for inventories carried at net realizable value (“NRV”). The charge amount was recognized in cost of revenue amounting to SAR 366 million (2020: 36 million) and SAR 19 million (2020: nil) was recognized in other operating income (expense).

(b) The carrying amount of inventories carried at NRV for the year ended 31 December 2021 amounting SAR 1,888 million (2020: 1,877 million).

(c) The reversal of inventory write-down was due to the increase of sales forecast due to large customers’ orders.

(d) During the year ended 31 December 2021, there is an amount of SAR 69 million (2020: nil) of inventory held with others. Inventory held with others represent medical equipment and supplies purchased to meet COVID-19 needs during the pandemic. These items will be shipped directly on demand to government entities.

(e) Finished goods include development properties for sale amounting to SAR 554 million (2020: nil) that were transferred from investment properties during the year. Work-in-progress include development properties amounting to SAR 877 million (2020: SAR 195 million).

13. DERIVATIVES

In the ordinary course of business of banking operations, the Group utilizes the following financial derivative instruments for both trading and hedging purposes:

- *Swaps*: Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, fixed special commission payments and principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and fixed and floating special commission payments are exchanged in different currencies.
- *Forwards and futures*: Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges. Changes in futures contract values are settled daily
- *Options*: Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.
- *Structured derivative products*: Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, special commission rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

Most of the Group’s derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves profiting from price differentials between markets or products.

As part of its asset and liability management, the Group’s banking subsidiaries uses derivatives for hedging purposes in order to adjust its own exposure to currency and special commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging does not qualify for special hedge accounting and the related derivatives are accounted for as held for trading, such as special commission rate swaps, special commission rate options and futures, forward foreign exchange contracts and currency options.

For non-banking operations, the Group utilizes derivative financial instruments (e.g. swaps, forwards, futures, and options) to manage certain market risk exposures. For non-banking operations, the Group does not use derivative financial instruments for speculative purposes.

Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk (refer note 42 for details). Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and interest rate rates to reduce its exposure to currency and interest rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by Central Banks.

The Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified fixed interest rate exposures. The Group also uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are formally documented and the transactions are accounted for as fair value or cash flow hedges.

Cash flows hedges

The Group is exposed to variability in future interest rate cash flows on non-trading assets and liabilities. The Group generally uses interest rate swaps as hedging instruments to hedge against these interest rate risks.

(All amounts in million SAR unless otherwise stated)

13. DERIVATIVES (continued)

The tables below show the positive and negative fair values of derivatives, together with the notional amounts analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

13.1 Derivatives held for trading

For the year ended 31 December 2021:

			Notional amounts		
	Derivative assets – fair value	*Derivative liabilities – fair value*	*Less than 1 year*	*More than 1 year*	*Total*
Interest rate swaps	8,624	8,157	75,533	424,093	499,626
Forward foreign exchange contracts	744	233	168,985	45,580	214,565
Interest rate options	177	178	2,220	17,617	19,837
Foreign exchange options	171	176	5,384	749	6,133
Other swaps	15	17	64	505	569
Equity options	-	-	-	-	-
Currency options	-	-	-	-	-
Equity and commodity contracts, options, caps and floors: purchased and written	-	-	-	-	-
Common Stock warrants [(a)]	-	5,231	-	-	-
Total derivatives held for trading	**9,731**	**13,992**	**252,186**	**488,544**	**740,730**

For the year ended 31 December 2020:

			Notional amounts		
	Derivative assets – fair value	*Derivative liabilities – fair value*	*Less than 1 year*	*More than 1 year*	*Total*
Interest rate swaps	8,236	8,016	40,214	241,557	281,771
Forward foreign exchange contracts	581	308	106,230	44,364	150,594
Interest rate options	-	-	-	-	-
Foreign exchange options	12	13	1,398	97	1,495
Other swaps	4	-	8	296	304
Equity options	224	2	1,203	-	1,203
Currency options	74	-	835	-	835
Equity and commodity contracts, options, caps and floors: purchased and written	198	249	257	17,312	17,569
Common Stock warrants	-	-	-	-	-
Total derivatives held for trading	**9,329**	**8,588**	**150,145**	**303,626**	**453,771**

(a) During the year ended 31 December 2021, one of the Group's subsidiaries effectively issued private warrants to purchase shares of the subsidiary's common stock. The private warrants were initially recognized as a liability with a fair value of SAR 3,045 million. The private warrants remained unexercised.

(b) The net loss on derivative instruments at fair value through profit or loss primarily relates to SAR 2,802 million arising from fair value remeasurement of common stock warrants (2020: net gain of SAR 656 million arising from early termination of equity and call options).

(All amounts in million SAR unless otherwise stated)

13. DERIVATIVES (continued)

13.2 Derivatives held as cash flow hedges

For the year ended 31 December 2021:	*Derivative assets – fair value*	*Derivative liabilities – fair value*	*Notional amounts* Less than 1 year	*Notional amounts* More than 1 year	*Notional amounts* Total
Interest rate swaps	111	326	1,167	19,395	20,562
Interest rate cap	-	5	-	105	105
Total derivatives held as cash flow hedges	**111**	**331**	**1,167**	**19,500**	**20,667**

For the year ended 31 December 2020:	*Derivative assets – fair value*	*Derivative liabilities – fair value*	*Notional amounts* Less than 1 year	*Notional amounts* More than 1 year	*Notional amounts* Total
Interest rate swaps	178	462	1,888	13,969	15,857
Interest rate cap	-	6	-	105	105
Total derivatives held as cash flow hedges	**178**	**468**	**1,888**	**14,074**	**15,962**

The average fixed interest rate on the interest rate swaps designated as cash flows hedges ranged between 1.50% and 3.53% (2020: 2.99% and 6.14%).

13.3 Derivatives held as fair value hedges

For the year ended 31 December 2021:	*Derivative assets – fair value*	*Derivative liabilities – fair value*	*Notional amounts* Less than 1 year	*Notional amounts* More than 1 year	*Notional amounts* Total
Interest rate swaps	94	1,859	2,437	28,699	31,136
Others	-	-	-	-	-
Total derivatives held for trading	**94**	**1,859**	**2,437**	**28,699**	**31,136**

For the year ended 31 December 2020:	*Derivative assets – fair value*	*Derivative liabilities – fair value*	*Notional amounts* Less than 1 year	*Notional amounts* More than 1 year	*Notional amounts* Total
Interest rate swaps	73	3,453	26,761	26,882	53,643
Others	-	5	47	-	47
Total derivatives held for trading	**73**	**3,458**	**26,808**	**26,882**	**53,690**

13.4 Fair value of derivatives

Fair value of derivative assets	***2021***	***2020***
Non-current	8,667	9,373
Current	1,269	207
Sub-total (A)	**9,936**	**9,580**
Fair value of derivative liabilities		
Non-current	14,702	11,687
Current	1,480	827
Sub-total (B)	**16,182**	**12,514**
Net fair value of derivatives (A – B)	**(6,246)**	**(2,934)**

(All amounts in million SAR unless otherwise stated)

14. PROMISSORY NOTES

This represents the balance of the amount receivable from Saudi Arabian Oil Company (Aramco) with respect to the sale of 70% equity interest in Saudi Basic Industries Company (SABIC), a former subsidiary of the Group, during 2020 for a consideration of SAR 259,125 million (equivalent to US $69.1 billion).

The sale proceeds to be received over several installments pursuant to the Group's loan to Aramco. Loan payments, which are represented by promissory notes denominated in United States Dollars and are receivable as follows:

	Principal	*Loan charge*
On or before August 2, 2020	26,250	-
On or before April 7, 2021	18,750	-
On or before April 7, 2022	31,875	1,875
On or before April 7, 2023	39,375	1,875
On or before April 7, 2024	39,375	2,250
On or before April 7, 2025	39,375	3,000
On or before April 7, 2026	64,125	5,625
On or before April 7, 2027	-	3,750
On or before April 7, 2028	-	3,750
Total	**259,125**	**22,125**
Proceeds received to date	**(45,000)**	**-**
Total amount of outstanding instalments	**214,125**	**22,125**

Based on the schedule of principal and loan charges agreed by the Group and Aramco, the effective interest rate of this loans and advances is computed at 2.28%. Saudi Aramco has also agreed to make an accelerated payment of SAR 11,250 million in April 2022 based on the occurrence of certain events and conditions in 2021. At December 31, 2021, it was determined that the relevant conditions were not met during 2021 and, as a result, no accelerated payment will be required in April 2022. If the accelerated payment would have been required, it would have reduced the principal amount that would otherwise be receivable on or before April 2026 by SAR 11,250 ($3,000) million and the loan charge in April 2022 would have been reduced from SAR 1,875 ($500) million to SAR 750 ($200) million.

14.1 The details of SABIC sale and promissory notes for settlement of sales proceeds

On 27 March 2019, the Group and Saudi Arabian Oil Company (Aramco) entered into sale agreement whereby Aramco acquired the Group's 70% equity interest in Saudi Basic Industries Company (SABIC), a subsidiary of the Group, for a consideration of SAR 259,125 million (US $69.1 billion). At 31 December 2019, the sale transaction was subject to certain closing conditions and regulatory approvals.

On 16 June 2020, all necessary regulatory clearances in pre-closing notification jurisdictions were obtained. As at the date of sale, the carrying value of SABIC amounted to SAR 110,277 million.

Details of the carrying value of SABIC:

Investment carrying value as at 31 December 2019	**118,133**
Fund's share of profit for the period	(2,154)
Fund's share of OCI that will not be reclassified to profit or loss	(848)
Fund's share of OCI that may be reclassified to profit or loss	(234)
Dividends received	(4,620)
Investment carrying value as at 16 June 2020	**110,277**

Gain on sale of SABIC:

Sales Proceeds	259,125
Carrying value of SABIC	(110,277)
Gain on disposal (including cumulative OCI)	**148,848**
Less:	
OCI loss recycled to profit or loss	(1,167)
Gain on sale of SABIC	**147,681**

Consequently, the accumulated loss recognized in OCI which was transferred to retained earnings during the year ended 31 December 2020 amounted to SAR 1,699 million. Further, the Group paid SAR 277 million expenses on this transaction during the year ended 31 December 2020.

(All amounts in million SAR unless otherwise stated)

14. PROMISSORY NOTES (continued)

14.2 The movement of Aramco promissory notes

	2021	*2020*
Beginning balance	**235,901**	259,125
Payment received during the period	**(18,750)**	(26,250)
Total amount of outstanding installments	**217,151**	**232,875**
Interest for the period	**5,152**	3,026
Carrying value of Aramco promissory notes at 31 December	**222,303**	**235,901**
Disclosed as:		
Non-current	**188,553**	217,151
Current	**33,750**	18,750
Total	**222,303**	**235,901**

15. INVESTMENT SECURITIES

15.1 Classification of Group's investments

	2021	*2020*
Measured at fair value through profit or loss (FVTPL)		
Equity, mutual funds, hedge funds and others	508,038	395,437
Fixed rate debt securities	13,906	9,753
Floating rate debt securities	131	-
Investment securities measured at FVTPL (A)	**522,075**	**405,190**

	2021	*2020*
Measured at fair value through other comprehensive income (FVOCI)		
Equity	97,130	76,108
Fixed rate debt securities	61,019	42,569
Floating rate debt securities	15,511	15,685
Investment securities measured at FVOCI (B)	**173,660**	**134,362**

	2021	*2020*
Measured at amortized cost		
Fixed rate debt securities	165,640	149,394
Floating rate debt securities	59,084	26,847
Sub-total	224,724	176,241
Allowance for impairment (ECL)	(294)	(309)
Investment securities measured at amortized cost (C)	**224,430**	**175,932**
Total investment securities (A+B+C)	**920,165**	**715,484**
Disclosed as:		
Non-current	759,927	548,643
Current	160,238	166,841
Total	**920,165**	**715,484**

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.2 The product-wise breakdown of the investment securities, net of impairment

	2021	*2020*
Equities and investment funds	654,967	543,001
Sukuk issued by Government	189,035	54,570
Sukuk issued by others	44,160	104,962
Sukuk issued by banks and financial institutions	7,420	3,801
Certificates of deposit	36	1,764
Other securities	24,547	7,386
Total investment securities	**920,165**	**715,484**

15.3 The currency analysis of the investment securities, net of impairment

	2021	*2020*
USD	463,326	383,819
SAR	341,840	234,155
GBP	42,798	9,370
EUR	4,731	42,728
Other currencies	67,470	45,412
Total investment securities	**920,165**	**715,484**

Other currencies mainly comprise of Japanese Yen, Indian Rupee, Chinese Yuan, Canadian Dollar and Hong Kong Dollar.

15.4 The geographic analysis of the Group's investment securities, net of impairment

	2021	*2020*
MENA region	404,697	303,129
United States of America	237,040	247,728
Europe	184,136	91,150
Others	94,292	73,477
Total investment securities	**920,165**	**715,484**

Others mainly include investments in the Republic of India, People's Republic of China, Japan, Dominion of Canada and Hong Kong.

15.5 Disclosures for debt securities carried at amortized cost

(a) The movement of changes in the gross amount of debt instruments carried at amortized cost:

	Stage 1 12 –month ECL	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
As at 1 January 2021	174,327	1,708	206	**176,241**
Newly originated or purchased	82,188	190	-	**82,378**
Derecognized on sale or disposal	(33,798)	(20)	-	**(33,818)**
Transfers to Stage 1	621	(621)	-	**-**
Transfers to Stage 2	(24)	24	-	**-**
Translation differences	(77)	-	-	**(77)**
At 31 December 2021	**223,237**	**1,281**	**206**	**224,724**

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.5 Disclosures for debt securities carried at amortized cost (continued)

(a) The movement of changes in the gross amount of debt instruments carried at amortized cost: (continued)

	Stage 1 12 –month ECL	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
As at 1 January 2020 (unaudited)	155,688	2,229	206	**158,123**
Newly originated or purchased	26,667	-	-	**26,667**
Derecognized on sale or disposal	(7,839)	(862)	-	**(8,701)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	(341)	341	-	**-**
Translation differences	152	-	-	**152**
At 31 December 2020	**174,327**	**1,708**	**206**	**176,241**

There were no transfers from and to Stage 3 during the years ended 31 December 2021 and 31 December 2020.

(b) An analysis of changes in expected credit loss allowance for debt instruments carried at amortized cost is as follows:

	Stage 1 12 –month ECL	*Stage 2 Lifetime ECL (not credit impaired)*	*Stage 3 Lifetime ECL (credit impaired)*	*Total*
As at 1 January 2021	22	81	206	**309**
Net impairment charge (reversal)	(27)	10	-	**(17)**
Transfers to stage 2	-	-	-	**-**
Translation differences	2	-	-	**2**
At 31 December 2021	**(3)**	**91**	**206**	**294**
As at 1 January 2020 (unaudited)	36	78	206	**320**
Net impairment charge (reversal)	12	(23)	-	**(11)**
Transfers to stage 2	(26)	26	-	**-**
At 31 December 2020	**22**	**81**	**206**	**309**

There were no transfers to and from Stage 3 during the years ended 31 December 2021 and 31 December 2020.

(c) Analysis of unrealized revaluation gains/(losses) and fair value of net investments held at amortized cost:

For the year ended 31 December 2021:	*Carrying value as at 31 December*	*Gross unrealized profit*	*Gross unrealized loss*	*Fair value as at 31 December*
Fixed rate debt securities	165,377	976	(611)	165,742
Floating rate debt securities	59,053	7	(87)	58,973
Total	**224,430**	**983**	**(698)**	**224,715**

For the year ended 31 December 2020:	*Carrying value as at 31 December*	*Gross unrealized profit*	*Gross unrealized loss*	*Fair value as at 31 December*
Fixed rate debt securities	149,151	1,727	(626)	150,252
Floating rate debt securities	26,781	25	-	26,806
Total	**175,932**	**1,752**	**(626)**	**177,058**

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.6 Disclosures for debt securities carried at FVOCI

(a) The movement of changes in the debt instruments carried at FVOCI is as follows:

	Stage 1 12 -month ECL	*Stage 2 Lifetime ECL not credit impaired*	*Stage 3 Lifetime ECL credit impaired*	*Total*
As at 1 January 2021	56,995	1,259	-	58,254
Newly originated or purchased	20,164	-	-	20,164
Derecognized on sale or disposal	(1,585)	(303)	-	(1,888)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(582)	582	-	-
At 31 December 2021	**74,992**	**1,538**	**-**	**76,530**

	Stage 1 12 -month ECL	*Stage 2 Lifetime ECL not credit impaired*	*Stage 3 Lifetime ECL credit impaired*	*Total*
As at 1 January 2020 (unaudited)	57,776	890	-	58,666
Newly originated or purchased	26,775	-	-	26,775
Derecognized on sale or disposal	(27,116)	(71)	-	(27,187)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(440)	440	-	-
At 31 December 2020	**56,995**	**1,259**	**-**	**58,254**

There were no transfers to and from Stage 3 during the years ended 31 December 2021 and 31 December 2020.

15.7 The classification of net investment securities (excluding equity instruments) as per their external ratings

	For the year ended 2021			
Rating	***Measured at FVTPL***	***Measured at FVOCI***	***Measured at amortized cost***	***Total***
AAA	-	7,507	3,252	**10,759**
AA+	-	68	4,228	**4,296**
AA	116	3,006	5,904	**9,026**
AA-	-	1,815	7,553	**9,368**
A+	1,224	847	5,486	**7,557**
A	1,653	41,434	126,048	**169,135**
A-	319	2,155	6,116	**8,590**
BBB+	-	1,270	1,178	**2,448**
BBB- and below	832	14,594	9,057	**24,483**
Unrated	9,893	3,834	55,608	**69,335**
Total	**14,037**	**76,530**	**224,430**	**314,997**

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.7 The classification of net investment securities (excluding equity instruments) as per their external ratings (continued)

	For the year ended 2020			
Rating	***Measured at FVTPL***	***Measured at FVOCI***	***Measured at amortized cost***	***Total***
AAA	-	8,202	15,866	**24,068**
AA+	-	516	410	**926**
AA	-	2,672	3,162	**5,834**
AA-	-	1,079	4,449	**5,528**
A+	208	398	100	**706**
A	-	25,787	64,274	**90,061**
A-	358	866	4,164	**5,388**
BBB+	-	1,023	1,908	**2,931**
BBB- and below	517	12,657	5,776	**18,950**
Unrated	8,670	5,054	75,823	**89,547**
Total	**9,753**	**58,254**	**175,932**	**243,939**

15.8 The analysis of the composition of investment securities

	2021		***2020***	
Measured at FVTPL	***Quoted***	***Unquoted***	***Quoted***	***Unquoted***
Equity, mutual funds, hedge funds and others	97,856	410,182	76,295	319,142
Fixed rate debt securities	359	13,547	764	8,989
Floating rate debt securities	-	131	-	-
Investment securities measured at FVTPL (A)	**98,215**	**423,860**	**77,059**	**328,131**
Measured at FVOCI				
Equity	65,442	31,688	56,178	19,930
Fixed rate debt securities	60,509	510	41,841	728
Floating rate debt securities	14,852	659	8,385	7,300
Investment securities measured at FVOCI (B)	**140,803**	**32,857**	**106,404**	**27,958**
Measured at amortized cost				
Fixed rate debt securities	100,245	65,381	60,616	88,778
Floating rate debt securities	46,963	12,121	21,010	5,837
Other securities	-	14	-	-
Sub-total	147,208	77,516	81,626	94,615
Less: Allowance for impairment (ECL)	(100)	(194)	(66)	(243)
Investment securities at amortized cost (C)	**147,108**	**77,322**	**81,560**	**94,372**
Total investments securities (A+B+C)	**386,126**	**534,039**	**265,023**	**450,461**

15.9 Other disclosures related to investment securities:

(a) Fixed rate bonds and sukuk carry annual interest rates ranging from 0% to 9.25% (2020: from 1.7% to 7.5%).

(b) Floating rate bonds and sukuk carry annual interest margins of from 0% to 1.50% (2020: 0.7% to 1.4%) over SAIBOR/ LIBOR.

(c) The Group holds convertible notes receivable as part of investment securities and are classified at FVTPL as these instruments failed the SPPI test.

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.9 Other disclosures related to investment securities (continued):

(d) Some of the sukuk held as investment securities are classified as FVTPL as these sukuk are tier 1 instruments with no contractual maturity.

(e) Investments held at amortized cost include investments amounting to SAR 4,491 million (2020: SAR 4,145 million) which are held under a fair value hedge relationship. As at 31 December 2021, the fair value of these investments amounts to SAR 4,441 million (2020: SAR 4,976 million).

(f) Investments include securities that are issued by the Ministry of Finance of the Kingdom of Saudi Arabia amounting to SAR 149,585 million (2020: SAR 80,842 million).

(g) The Group pledges financial assets for securities lending transactions which are generally conducted under terms that are usual and customary for standard securitized borrowing contracts. As at 31 December 2021, securities amounting to SAR 3,221 million (2020: SAR 4,488 million) have been lent to counterparties under securities lending transactions.

16. OTHER ASSETS

	2021	*2020*
Financial assets		
Loans and advances (Note 16.1)	**10,962**	16,579
Margin deposits against derivatives and repos (Banking and financing operations)	**10,145**	12,238
Receivables from affiliated entities	**-**	5,670
Receivables from associates and joint ventures (Note 16.2)	**2,731**	5,226
Advances for investment in other entities	**2,444**	636
Government grant receivables	**1,600**	178
Loan and advances to employees	**1,261**	1,318
Other financial assets	**3,934**	2,889
Sub-total	**33,077**	**44,734**
Less: Allowance for expected credit loss (Note 16.8)	**(109)**	(6,183)
Total financial assets (A)	**32,968**	**38,551**
Non-financial assets		
Advances and deposits given to contractors and suppliers	**15,894**	11,685
Contract assets (Note 16.3)	**12,803**	12,565
Contract fulfillment cost (Note 16.4)	**3,494**	2,849
VAT Receivables	**3,321**	1,392
Assets purchased under Murabaha arrangements (Note 16.5)	**3,002**	2,729
Prepaid expenses	**1,802**	1,167
Gold deposits	**1,756**	3,333
Service concession assets (Note 16.6)	**1,584**	1,059
Other real estate (Note 16.7)	**1,227**	1,205
Other non-financial assets	**3,814**	2,644
Sub-total	**48,697**	**40,628**
Less: Allowance for impairment (Note 16.9)	**(1,154)**	(1,285)
Total non-financial assets (B)	**47,543**	**39,343**
Total other assets (A + B)	**80,511**	**77,894**

Disclosed as:	*2021*	*2020*
Non-current	**24,219**	43,428
Current	**56,292**	34,466
Total	**80,511**	**77,894**

(All amounts in million SAR unless otherwise stated)

16. OTHER ASSETS (continued)

16.1 Loans and advances

Loans and advances represent the receivables arising from the Group excluding banking and financing subsidiaries. (For banking and financing subsidies refer to Note 17).

	2021	*2020*
Loans and advances	**10,962**	16,579
Allowance for expected credit loss	**(93)**	(214)
Loans and advances, net	**10,869**	**16,365**

16.2 Receivables from associates and joint ventures

	2021	*2020*
Receivables from associates and joint ventures	**2,731**	5,226
Allowance for expected credit loss	-	(287)
Receivables from associates and joint ventures, net	**2,731**	**4,939**

16.3 Contract assets

	2021	*2020*
Contract assets [(a)]	**12,803**	12,565
Allowance for impairment	**(384)**	(722)
Contract assets, net	**12,419**	**11,843**

(a) Significant changes in Contract assets during the year:

	2021	*2020*
As at 1 January	**12,565**	11,012
Aditions for the year	**14,949**	17,477
Acquired through business combination	**1,358**	113
Cumulative catch-up adjustments to revenue	**-**	(4)
Reclassified to a receivable	**(16,069)**	(16,033)
As at 31 December	**12,803**	**12,565**

16.4 Contract fulfillment costs

	2021	*2020*
Costs to obtain contracts with customers	**115**	146
Pre-contract costs	**482**	484
Setup costs	**2,897**	2,219
Allowance for impairment	**(11)**	-
Contract assets, net	**3,483**	**2,849**

Contract fulfillment costs comprises mainly from advances, payments, payables, accruals to contractors and equipment installation costs incurred to deliver energy rehabilitation and telecommunication services to clients. Contract fulfillment costs are amortized to the consolidated statement of profit or loss on systematic basis when the Group establishes its right to generate revenue and over the contract/anticipated contract period.

16.5 Assets purchased under Murabaha arrangements

These assets represent a non-financial assets held under Murabaha arrangements and are measured at their lower of cost and net realizable value. Net realizable value is the estimated selling price, less selling expenses.

(All amounts in million SAR unless otherwise stated)

16. OTHER ASSETS (continued)

16.6 Service concession agreements

During 2019, one of Group's subsidiaries entered into service concession agreements with private operators for the development and maintenance of construction villages which will largely accommodate workers hired by third-party contractors. The land on which the facility is to be located is provided free of consideration to the operators for the term of the agreement. The operators will construct, operate and manage the facility till the term of the contract unless terminated earlier while the Group is the Grantor under this service concession arrangement and controls the asset being constructed.

The facility will be used to accommodate the workers working in the region of subsidiary's project for the construction and development of the project. Rent will be charged by the operators at rates determined under the contract for each type of unit available in the facility to third parties. The Group will not receive any amount in this regard. No amount will fall due to or due from the Group where the occupancy is above 50%. At the end of the term of the contract, the operators are required to return the site in its original conditions, i.e., dismantle the facilities.

As of 31 December 2021, assets are still under construction and are recognized as other assets in the consolidated statement of financial position with corresponding service concession liabilities.

16.7 Other real estate

	2021	*2020*
As at 1 January	**1,400**	1,463
Additions	**183**	137
Acquired through business combination	**115**	-
Disposal	**(165)**	(200)
Foreign currency translation adjustment	**(306)**	(195)
Sub-total	**1,227**	**1,205**
Less: Allowance for impairment	**(521)**	(240)
At 31 December	**706**	**965**

16.8 The movement in the allowance for expected credit losses of other financial assets during the year:

	2021	*2020*
As at 1 January	**6,183**	6,240
Reversals during the year	**(117)**	(57)
Write off during the year	**(5,957)**	-
At 31 December	**109**	**6,183**

16.9 The movement in the allowance for impairment of other non-financial assets during the year:

	2021	*2020*
As at 1 January	**1,285**	637
Charge during the year	**405**	680
Acquired through business combination	**65**	57
Write off during the year	**(601)**	(89)
At 31 December	**1,154**	**1,285**

(All amounts in million SAR unless otherwise stated)

17. FINANCING AND ADVANCES

Financing and advances represent the receivables arising from the banking and financing subsidiaries of the Group.

17.1 The breakdown of the financing and advances

	2021	*2020*
Conventional financing and advances – Corporate	57,406	20,061
Conventional financing and advances - Consumer and credit card	3,122	716
Conventional financing and advances - International	33,912	40,897
Other conventional financing and advances [(a)]	16,584	21,171
Total conventional financing and advances	**111,024**	**82,845**
Ijara receivables – Corporate	23,594	-
Ijara receivables – Consumer and credit card	40,276	60,195
Total Ijara receivables	**63,870**	**60,195**
Murabaha receivables - Corporate	140,929	128,956
Murabaha receivables - Consumer and credit card	231,531	120,605
Total Murabaha receivables	**372,460**	**249,561**
Gross Financing and advances	**547,354**	**392,601**
Allowance for ECL	(11,992)	(9,847)
Total financial assets (A)	**535,362**	**382,754**
Disclosed as:		
Non-current	505,103	354,655
Current	30,259	28,099
	535,362	**382,754**

(a) Others include financing to financial institutions.

(All amounts in million SAR unless otherwise stated)

17. FINANCING AND ADVANCES (continued)

17.2 The ageing of the gross performing financing and advances

	For the year ended 2021				
	Conventional	***Ijara***	***Murabaha***	***Others [(a)]***	***Total***
Neither past due nor impaired	87,027	61,267	358,285	16,480	**523,059**
Past due but not impaired					
Less than 30 days	1,967	927	4,627	-	**7,521**
30-59 days	170	346	1,869	-	**2,385**
60-89 days	1,335	164	892	-	**2,391**
Total past due, not impaired	3,472	1,437	7,388	-	**12,297**
Total performing financing and advances	**90,499**	**62,704**	**365,673**	**16,480**	**535,356**

	For the year ended 2020				
	Conventional	***Ijara***	***Murabaha***	***Others [(a)]***	***Total***
Neither past due nor impaired	56,291	58,607	240,884	20,795	**376,577**
Past due but not impaired					
Less than 30 days	383	853	2,041	375	**3,652**
30-59 days	124	343	871	-	**1,338**
60-89 days	2,060	170	1,282	-	**3,512**
Total past due, not impaired	2,567	1,366	4,194	375	**8,502**
Total performing financing and advances	**58,858**	**59,973**	**245,078**	**21,170**	**385,079**

(a) Others include conventional financing to financial institutions.

17.3 The detailed movement of the gross financing and advances and movement in ECL, on a consolidated basis:

(a) Movement of changes in gross carrying amount by stage – Consolidated

	For the year ended 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	362,719	22,362	7,520	-	**392,601**
New assets originated or purchased	18,633	263	7	-	**18,903**
Payments and assets derecognized	(10,883)	(875)	7	-	**(11,751)**
Transfers to Stage 1	1,414	(1,370)	(44)	-	**-**
Transfers to Stage 2	(4,830)	5,017	(187)	-	**-**
Transfers to Stage 3	(767)	(3,147)	3,914	-	**-**
Re-measurement at year end	20,495	1,333	898	-	**22,726**
Amount recognized from business combination	134,670	-	-	2,624	**137,294**
Accrued interest	(27)	(4)	(1)	-	**(32)**
Amount written-off	-	-	(2,103)	-	**(2,103)**
Translation differences	(8,743)	(950)	(591)	-	**(10,284)**
At 31 December	**512,681**	**22,629**	**9,420**	**2,624**	**547,354**

(All amounts in million SAR unless otherwise stated)

17. FINANCING AND ADVANCES (continued)

17.4 The detailed movement of the gross financing and advances and movement in ECL, on a consolidated basis (continued):

(a) Movement of changes in gross carrying amount by stage – Consolidated (continued)

	For the year ended 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	294,074	19,553	7,253	-	**320,880**
New assets originated or purchased	17,899	141	3	-	**18,043**
Payments and assets derecognized	(10,650)	(120)	(250)	-	**(11,020)**
Transfers to Stage 1	1,071	(1,035)	(36)	-	**-**
Transfers to Stage 2	(9,150)	9,247	(97)	-	**-**
Transfers to Stage 3	(1,148)	(2,037)	3,185	-	**-**
Re-measurement at year end	74,390	(2,899)	471	-	**71,962**
Accrued interest	(21)	7	-	-	**(14)**
Amount written-off	-	-	(2,670)	-	**(2,670)**
Translation differences	(3,746)	(495)	(339)	-	**(4,580)**
At 31 December	**362,719**	**22,362**	**7,520**	**-**	**392,601**

(b) Movement of changes in ECL amount by stage – Consolidated

	For the year ended 2021				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	1,831	2,613	5,403	-	**9,847**
Net impairment charge / (reversal)	586	1,316	2,919	-	**4,821**
Transfers to Stage 1	97	(81)	(16)	-	**-**
Transfers to Stage 2	(93)	164	(71)	-	**-**
Transfers to Stage 3	(13)	(771)	784	-	**-**
Amount recognised from business combination	-	(1)	-	-	**(1)**
Bad debt written off	-	-	(1,964)	-	**(1,964)**
Translation differences	76	(112)	(675)	-	**(711)**
At 31 December	**2,484**	**3,128**	**6,380**	**-**	**11,992**

	For the year ended 2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January	1,622	1,948	5,147	-	**8,717**
Net impairment charge / (reversal)	503	963	2,571	-	**4,037**
Transfers to Stage 1	59	(38)	(21)	-	**-**
Transfers to Stage 2	(308)	331	(23)	-	**-**
Transfers to Stage 3	(33)	(567)	600	-	**-**
Bad debt written off	-	-	(2,670)	-	**(2,670)**
Translation differences	(12)	(24)	(201)	-	**(237)**
At 31 December	**1,831**	**2,613**	**5,403**	**-**	**9,847**

(All amounts in million SAR unless otherwise stated)

17. FINANCING AND ADVANCES (continued)

17.5 Impairment charge for financing and advances losses recognized in the consolidated statement of profit or loss represents:

	2021	*2020*
Net impairment (reversal)/charge	4,821	4,037
Provision/(reversal) against indirect facilities (included in other liabilities)	128	47
Recoveries of debts previously written-off	(1,032)	(733)
Direct write-off	206	49
Others	(2)	(195)
Net charge for the year	**4,121**	**3,205**

17.6 Other disclosures related to financing and advances:

(a) The financing and advances include gross finance lease receivables (including Ijara in compliance with Shari'a rules) amounting to SAR 58,674 million (2020: SAR 54,993 million), unearned finance income on finance lease amounting to SAR 11,031 million (2020: SAR 11,478 million), net amounting to SAR 47,642 million (2020: SAR 43,515 million). Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses amounts to SAR 360 million (2020: SAR 423 million).

(b) The carrying amount of restructured facilities as of 31 December 2021 is SAR 5,089 million (2020: SAR 3,469 million).

(c) The fair value of collateral that the Group holds relating to financing and advances classified under Stage 2 at 31 December 2021 amounts to SAR 3,035 million (2020: SAR 2,422 million). The fair value of collateral that the Group holds relating to financing and advances individually determined to be impaired classified under Stage 3 at 31 December 2021 amounts to SAR 1,841 million (2020: SAR 1,561 million).

(d) During the year, the Group purchased retail Murabaha portfolios from the Public Pension Agency amounting to SAR 1,895 million (2020: SAR 3,359 million) and Ijara receivables portfolios from certain local banks and financing companies amounting to SAR 1,338 million (2020: SAR 1,059 million). As at 31 December 2021, the balance includes premium amounting to SAR 369 million (2020: SAR 308 million) which was paid to purchase receivables. Under the terms of the purchase, the Group acquired rights, titles, interest and benefits in the Ijara and Murabaha portfolios and the associated risks and rewards have been transferred to the Group.

(e) Special commission income relating to non-performing financing and advances is SAR 999 million (2020: SAR 252 million).

18. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

18.1 Banking and Financing Operations

Cash and balances with Central Banks	***2021***	***2020***
Money market placements and current account	33,547	49,700
Short-term statutory deposits	35,797	24,197
Cash on hand	8,398	7,585
Total cash and balances with Central Bank	**77,742**	**81,482**
Due from banks and other financial institutions, net		
Money market placement	32,523	27,885
Current account	30,119	6,627
Reverse repurchase agreement	1,686	5,326
	64,328	**39,838**
Less: Allowance for impairment (ECL)	(3)	(3)
Total due from banks and other financial institutions	**64,325**	**39,835**
Total (A)	**142,067**	**121,317**

(All amounts in million SAR unless otherwise stated)

18. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

18.2 Non-Banking and Financing Operations

	2021	*2020*
Cash on hand	134	57
Cash at banks	79,951	76,628
Balances with other financial institutions	1,339	2,704
Islamic Murabaha deposits (less than 3 months)	7,732	10,409
Conventional deposits with banks (less than 3 months)	38,591	39,886
Conventional deposits with banks (more than 3 months)	7,760	13,704
Islamic Murabaha deposits (more than 3 months)	8,965	7,037
	144,472	**150,425**
Less: Allowance for impairment (ECL)	(14)	(2)
Total (B)	**144,458**	**150,423**
Total cash and deposits with banks and other financial institutions (A + B)	**286,525**	**271,740**

Disclosed as:	*2021*	*2020*
Non-current	**1,263**	13,631
Current	**285,262**	258,109
Total	**286,525**	**271,740**

18.3 For the purpose of the consolidated statement of cash flows, cash and cash equivalent

	2021	*2020*
Total cash and deposits with banks and other financial institutions	286,525	271,741
Less: Statutory deposits	(35,797)	(24,197)
Less: Restricted balances	(241)	(340)
Less: due from banks and financial institutions with original maturity more than 3 months	(14,210)	(13,174)
Less: Short term deposits, Murhabas and other certificates with original maturity more than 3 months	(16,725)	(20,741)
	219,552	**213,289**
Cash and cash equivalent related to discontinued operations	-	64
Cash and cash equivalent	**219,552**	**213,353**

18.4 The movement for ECL allowance:

	2021				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January	5	-	-	-	5
Net impairment charge	12	-	-	-	12
At 31 December	**17**	**-**	**-**	**-**	**17**

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January	6	-	-	-	6
Net impairment reversal	(1)	-	-	-	(1)
At 31 December	**5**	**-**	**-**	**-**	**5**

(All amounts in million SAR unless otherwise stated)

18. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

18.5 Other disclosures related to cash and deposits with banks and other financial institutions

(a) Cash and deposits with banks and other financial institutions include statutory deposits amounting to SAR 35,797 million (2020: SAR 24,197 million) relating to reserve requirements maintained by the Group's banking subsidiaries with Saudi Central Bank and the Central Bank of Bahrain ("Central Banks"). The reserves placed with the Central Banks are not available for use in the day-to-day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

(b) Interest rates and special commission income on deposits range from 0.10% to 3.7% (2020: from 0.2% to 5%).

(c) The Group has SAR 241 million (2020: SAR 340 million) in restricted cash with local banks as follows:
- SAR 178 million (2020: SAR 135 million) is related to the employees' saving plan obligations;
- SAR 43 million (2020: SAR 98 million) comprising of escrow deposits for the construction of a plant, escrow deposits for a lease, customer reservations for electric vehicles, a deposit against a letter of credit and others;
- SAR 20 million (2020: SAR nil) is related to Tawarruq facilities agreement which can only be utilized after obtaining approval from the related banks;
- SAR nil million (2020: SAR 58 million) with banks for advances received from customers against sale of development properties which are deposited into escrow accounts; and
- SAR nil million (2020: SAR 49 million) as a cash margin deposited in financial institutions against the purchase of three helicopters.

(d) The Group’s banking subsidiaries enter into collateralized lending transactions (reverse repurchase agreements) in the ordinary course of its operating activities. The collateral is in the form of highly rated debt securities. The collateralized lending transactions are conducted under standardized terms that are usual and customary for such transactions. Securities pledged with the Group in respect of reverse repo transactions amount to SAR 936 million (2020: SAR 936 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

19. TRADE RECEIVABLES

	2021	*2020*
Trade receivables from customers	13,061	7,725
Receivables from Government and Government related entities	45,287	27,942
Trade receivables, gross	**58,348**	**35,667**
Allowance for expected credit losses		
Trade receivables from customers	(2,916)	(2,860)
Receivables from Government and Government related entities	(1,102)	(1,042)
Total allowance for expected credit loss	**(4,018)**	**(3,902)**
Trade receivables, net	**54,330**	**31,765**

The Group holds all its trade receivables, within a business model, with the objective of collecting the contractual cash flows. However, the contractual terms of certain trade receivables with an amount of SAR 2,973 million (2020: SAR 1,456 million) do not give rise, on a specific date, to cash flows that are solely payments of principal and interest on the principal outstanding.

(All amounts in million SAR unless otherwise stated)

19. TRADE RECEIVABLES (continued)

19.1 The movement in the allowance for expected credit losses of trade receivables:

	2021	*2020*
As at 1 January	3,902	3,399
Charge during the year	2,299	1,519
Acquired through business combination	262	71
Written-off during the year	(2,282)	(1,087)
Other adjustments	(163)	-
At 31 December	**4,018**	**3,902**

19.2 Ageing analysis of trade receivables:

	2021	*2020*
Not past due	10,928	4,957
Past due:		
Less than 3 months	11,007	9,481
3 to 6 months	4,200	3,331
7 to 12 months	14,825	10,131
More than 12 months	17,388	7,767
At 31 December	**58,348**	**35,667**

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The following are the assets and liabilities that are classified as held for sale.

	2021		*2020*	
	Assets held for sale	*Liabilities relating to assets held for sale*	*Assets held for sale*	*Liabilities relating to assets held for sale*
Samba Pakistan (“SP”) (Note 20.1)	4,146	3,888	-	-
Investment property classified as held for sale (Note 20.2)	1,032	125	985	-
Jubail Energy Services Company (“JESCO”) (Note 20.3)	-	-	2,295	1,135
Hanmi for Project Management (Hanmi) (Note 20.4)	-	-	6	12
Other assets classified as held for sale (Note 20.6)	26	-	17	-
Total	**5,204**	**4,013**	**3,303**	**1,147**

The following are the results of the discontinued operations:

	2021		*2020*	
	Profit/(loss) for the year/period	*Other comprehensive income*	*Profit/(loss) for the year/period*	*Other comprehensive income*
Jubail Energy Services Company (“JESCO”) (Note 20.3)	(31)	-	(400)	(2)
Hanmi for Project Management (Hanmi) (Note 20.4)	-	-	(4)	-
Saudi Basic Industries Corporation (Note 20.5)	-	-	145,528	(1,083)
Total	**(31)**	**-**	**145,124**	**(1,085)**

(All amounts in million SAR unless otherwise stated)

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

20.1 Sale of Samba Bank Limited, ("SBL") Pakistan

A banking subsidiary of the Group holds 84.51% ownership share of SBL over which the banking subsidiary acquired control through business combination. SBL was incorporated as a banking company in Pakistan that is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange. During the year ended 31 December 2021, the Board of Directors of the banking subsidiary resolved to invite tender bids from interested parties to carry out due diligence procedures to evaluate and pursue potential sale transactions, subject to receiving regulatory and shareholder approvals. As at the reporting date, the fair value less cost to sell of SP is not materially different from its net asset value.

20.2 Investment property classified as held for sale

During the year ended 31 December 2020, a subsidiary of the Group reached an advance level of agreement with a buyer for the sale of a specified property and during the year ended 31 December 2021, the respective subsidiary signed the agreement for the sale of such property. In accordance with the agreement, the respective subsidiary shall complete the property and will subsequently sell the same in accordance with terms and conditions specified in the agreement.

During the year ended 31 December 2021, the cost incurred on the specified property is amounted to SR 89 million and the fair value as at 31 December 2021 is SR 1,032 million (2020: SR 985 million).

20.3 Sale of Jubail Energy Services Company ("JESCO")

During 2020, the Group, through one of its subsidiaries, signed a sale agreement with a related party to sell its entire equity interest in JESCO The sale was consummated upon successful completion of the conditions precedent ("CPs") as per the sale agreement, on 31 July 2021 and accordingly JESCO was deconsolidated as of that date. Accordingly, the assets and liabilities of JESCO were classified as held-for-sale as at 31 December 2020 and derecognized on 31 July 2021. The results of JESCO, for the seven-month period ended 31 July 2021, are presented separately as discontinued operations in the consolidated statement of profit and loss.

(a) Results for the discontinued operation of JESCO are presented below:

	1 January 2021 to 31 July 2021	*2020*
Revenue	420	538
Expenses	(507)	(677)
Loss before tax for the year	**(87)**	**(139)**
Tax expenses	(2)	(16)
Loss after tax for the year	**(89)**	**(155)**
Impairment loss recognized on the remeasurement to fair value less costs to sell	58	(245)
Loss for the year from discontinued operations	**(31)**	**(400)**
Remeasurement loss on employees' defined benefit obligations	-	(2)
OCI from discontinued operations	**-**	**(2)**

(All amounts in million SAR unless otherwise stated)

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

20.3 Sale of Jubail Energy Services Company ("JESCO") (continued)

(b) Assets and liabilities classified as held for sale relating to JESCO:

	2021	*2020*
Assets		
Property, plant and equipment (adjusted for fair value adjustments of SAR 235 million in 2020)	-	1,491
Intangible assets (adjusted for fair value adjustments of SAR 3 million in 2020)	-	17
Inventories	-	539
Trade receivables	-	124
Cash and deposits with banks and other financial institutions	-	64
Right-of-use assets (adjusted for fair value adjustments of SAR 8 million in 2020)	-	48
Deferred tax assets	-	12
Assets held for sale	**-**	**2,295**
Liabilities		
Accounts payable, accruals and other liabilities	-	14
Interest-bearing loans and borrowings	-	1,030
Lease liabilities	-	55
Employees' benefits obligations	-	36
Liabilities directly associated with assets held for sale	**-**	**1,135**
Net assets directly associated with disposal group	**-**	**1,160**

(c) The net cash inflows (outflows) from JESCO are, as follows:

	1 January 2021 to 31 July 2021	*2020*
Net cash outflow from operating activities	(23)	(97)
Net cash outflow from investing activities	(5)	(24)
Net cash inflow from financing activities	30	150
Net cash inflow	**2**	**29**

20.4 Sale of Hanmi for Project Management (Hanmi)

As at 31 December 2020, the Group held 60% equity interest in Hanmi through one of its subsidiaries. In September 2020, the subsidiary's management decided to sell its entire 60% interest in Hanmi. As of 31 December 2020, Hanmi were classified as disposal group held for sale and the assets and liabilities classified as held for sale amounted to SAR 6 million and SAR 12 million respectively. During the current period, effective 1 January 2021 the Group has sold its entire shares recognizing a gain from the disposal with an amount of SAR 3 million in the consolidated statement of profit or loss.

(a) Results for the discontinued operation of Hanmi are presented below:

	2021	*2020*
Revenue	-	21
Expenses	-	(19)
Other costs	-	(6)
Loss before tax for the year	**-**	**(4)**
Tax expenses	-	-
Loss for the year from discontinued operations	**-**	**(4)**

(All amounts in million SAR unless otherwise stated)

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

20.4 Sale of Hanmi for Project Management (Hanmi) (continued)

(b) The net cash inflows (outflows) from Hanmi are, as follows:

	2021	*2020*
Net cash outflow from operating activities	-	(1)
Net cash inflow	**-**	**(1)**

There were no cash inflows (outflows) from investing and financing activities during the year ended 31 December 2020.

20.5 Sale of SABIC

Effective from 16 June 2020 the Group sold its 70% stake in SABIC to Saudi Arabian Oil Company (Aramco) (refer to note 14).

(a) Results for the discontinued operation of SABIC are presented below:

	1 January 2020 to 16 June 2020
Revenue	54,813
Expenses	(46,631)
Other operating expenses - net	(9,501)
Other non-operating expenses - net	(1,289)
Loss before tax	**(2,608)**
Tax expenses	(575)
Loss for the period from discontinued operations	**(3,183)**
Net loss from discontinued operations attributable to the Group	(2,153)
Profit on disposal of the discontinued operations (Note 14)	147,681
Profit from discontinued operations	**145,528**
Other comprehensive income:	
Exchange difference on translation of foreign operations	(284)
Share of other comprehensive loss of associates and joint ventures	(51)
Remeasurement loss on employees' defined benefits obligations	(1,324)
Share of other comprehensive loss of associates and joint ventures	(71)
OCI from discontinued operations	**(1,730)**
OCI attributable from discontinued operations attributable to the Group	**(1,083)**

(b) The net cash inflows (outflows) from SABIC are, as follows:

	1 January 2020 to 16 June 2020
Net cash inflow from operating activities	8,276
Net cash outflow from investing activities	(11,597)
Net cash outflow from financing activities	(7,008)
Net cash outflow	**(10,329)**

SABIC's total assets amounted to SAR 285 billion (including cash and cash equivalent of SAR 26 billion) and total liabilities amounted to SAR 96 billion as at 16 June 2020.

(All amounts in million SAR unless otherwise stated)

20. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

20.6 Other assets classified as held for sale

As at 31 December, the Group has classified the following as assets held for sale:

	2021	*2020*
Property, plant and equipment	26	17
	26	**17**

The Group has recognized impairment losses amounting to SAR 6.4 million (2020: SAR 23.6 million) on the above assets as the difference between the carrying value and fair value less cost to sell.

21. CAPITAL CONTRIBUTION

Since the establishment of the Fund in 1971, the Government has contributed to the Fund's capital in the form of cash and/ or in-kind. The Fund has received capital contributions overtime since its establishment.

21.1 Additional capital contribution

Additional capital contribution represents capital contribution in cash or in kind by the Owner. The amount also includes funding paid by the Owner to the Fund’s wholly owned subsidiaries which are, after considering various factors described in note 3.27, determined to be a transaction with the Owner in their capacity as the parent. This is transferred to capital contribution upon approval by the Board of Directors.

21.2 Statutory reserves

Each subsidiary of the Group transfers the prescribed amount to statutory reserve in accordance with the applicable law of the respective jurisdiction and the applicable By-laws. In accordance with the applicable Regulations for Companies in Saudi Arabia, the Group’s subsidiaries are required to transfer 10% of its annual net profit until such reserve equals 30% of the share capital.

21.3 General reserve

This reserve was created following PIF’s board resolution no. 108/1430 dated on 28 Dhu'l-Qa'dah 1430 (corresponding to 16 November 2009)

21.4 Other reserves

Other reserve mainly represents cumulative net changes in fair value of investment securities measured at FVOCI until the investments are derecognized and exchange difference on translation of foreign operations.

(All amounts in million SAR unless otherwise stated)

22. RELATED PARTY DISCLOSURES

Related parties represent the Owner, associated companies, joint ventures, key management personnel including directors of the Fund, and entities controlled or jointly controlled by such parties.

(a) Key management personnel

Key Management Personnel (as defined by IAS 24) for the Group includes:
- Members of Board of Directors of the Fund and their close family members,
- Members of Board Level Committees' of the Fund and their close family members, and
- Members of Management Level Committees' of the Fund and their close family members.

(b) Government of the Kingdom of Saudi Arabia (KSA Government)

The KSA Government is the ultimate controlling party and Owner of the Group and as a result, the KSA Government, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group.

At 31 December 2021, the Group enters into transactions on a regular basis with many of these bodies. Transactions include the payments of taxes, such as Zakat and value added tax, national insurance contributions and regulatory fees and levies, together with banking transactions such as financing, loans and borrowings and deposits undertaken in the normal course of bank-customer relationships.

The Group enters into transactions with government, ministries under government and government-related entities in the normal course of business. In accordance with the exemption in IAS 24, the management has complied with the disclosure requirements for government related entities as required under IAS 24.

Share of results and dividends received from associates and joint ventures and other movements in investments in associates and joint ventures are disclosed in Note 10 to these special purpose consolidated financial statements.

22.1 Balances with related parties

In addition to the related party balances already disclosed in the relevant notes, following are the significant balances by category of related parties, which were carried out on mutually agreed terms during the year.

	2021			
	Government and government related entities	***Associates***	***Joint ventures***	***Total***
Investment securities, net	189,035	7,225	-	**196,260**
Cash and deposits with banks and other financial institutions, net	58,831	18,857	-	**77,688**
Customer deposits	43,363	1,861	292	**45,516**
Trade receivables, net	44,185	496	28	**44,709**
Financing and advances, net	150	22,260	171	**22,581**
Loans and borrowings	14,365	8,075	-	**22,440**
Other assets, net	1,261	4,074	2,670	**8,005**
Trade and other payables	3,270	282	345	**3,897**
Derivative financial instruments, liability	-	5	-	**5**

(All amounts in million SAR unless otherwise stated)

22. RELATED PARTY DISCLOSURES (continued)

22.1 Balances with related parties (continued)

	2020			
	Government and government related entities	*Associates*	*Joint ventures*	*Total*
Cash and deposits with banks and other financial institutions, net	67,205	42,637	-	**109,842**
Investment securities, net	54,570	6,406	-	**60,976**
Customer deposits	42,431	729	95	**43,255**
Loans and borrowings	14,396	13,601	-	**27,997**
Trade receivables, net	26,900	400	47	**27,347**
Other assets, net	1,338	1,555	3,631	**6,524**
Trade and other payables	4,280	908	177	**5,365**
Financing and advances, net	242	3,085	45	**3,372**
Derivative financial instruments, liability	-	6	-	**6**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

22.2 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties based on mutually agreed terms during the year:

	2021			
	Government and government related entities	*Associates*	*Joint ventures*	*Total*
Revenue	32,411	1,126	22	**33,559**
Cost of revenue	7,271	382	623	**8,276**
Other finance income	-	135	-	**135**
Other finance costs	206	122	-	**328**
Administrative expenses	62	43	-	**105**
Other operating income	-	18	30	**48**
Net impairment losses on financial assets	1,401	-	-	**1,401**

	2020			
	Government and government related entities	*Associates*	*Joint ventures*	*Total*
Revenue	19,043	1,023	23	**20,089**
Cost of revenue	4,674	667	224	**5,565**
Other finance income	-	609	17	**626**
Other finance costs	-	127	-	**127**
Administrative expenses	5	50	-	**55**
Other operating income	12	72	26	**110**

Other finance cost charged by an associate amounting to SAR 20 million (2020: SAR 2 million) is capitalized in investment properties as it meets the definition of borrowing costs.

The Group purchased services from an associate amounting to SAR 13 million (2020: SAR 8 million) and cost of that service is capitalized in inventory.

The Group purchased services from an associate amounting to SAR 103 million (2020: SAR Nil) and cost of that service is capitalized in property, plant and equipment.

22. RELATED PARTY DISCLOSURES (continued)

22.3 Compensations to key management personnel

The remuneration of key management personnel includes short-term benefits amounting to SAR 52 million (2020: SAR 52 million) and post-employment benefits amounting to SAR 8 million (2020: SAR 6 million) included in the consolidated statement of profit or loss.

(All amounts in million SAR unless otherwise stated)

23. NON-CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations

For the year ended 31 December 2021	***Saudi National Bank (SNB)***[(a)]	***Saudi Telecom Company (stc)***	***Saudi Arabian Mining Company (Ma'aden)***	***Ayar Third Investment Company***[(b)]	***Industrialization Energy Services Company (Taqa)***	***Saudi Real Estate Company (Al Akaria)***	***Other individually Immaterial subsidiaries***
Proportion of ownership interests (and voting rights) held by NCI	62.41%	35.63%	32.82%	38.38%	54.21%	35.42%	
Carrying value of NCI [(c)]	**104,378**	**26,799**	**20,018**	**13,786**	**4,789**	**1,087**	**5,521**
Summarized statement of financial position As at 31 December							
Non-current assets	674,304	76,311	81,899	7,911	7,792	6,141	
Current assets	235,699	51,468	21,439	24,401	2,570	1,639	
Assets held for sale	4,146	-	-	-	26	-	
Non-current liabilities	(350,521)	(22,815)	(46,579)	(13,509)	(1,720)	(1,704)	
Current liabilities	(396,971)	(33,578)	(12,790)	(12,315)	(1,607)	(3,078)	
Liabilities associated for assets held for sale	(3,888)	-	-	-	-	-	
Tier 1 Sukuk	(2,000)	-	-	-	-	-	
Non-controlling interest at subsidiary level	(10,759)	(2,115)	(8,317)	(13,786)	(2,099)	(38)	
Net assets attributable to equity shareholder	**150,010**	**69,271**	**35,652**	**(7,298)**	**4,962**	**2,960**	
Net assets attributable to NCI[(d)]	**104,378**	**26,799**	**20,018**	**6,315**	**4,789**	**1,087**	**5,521**
Summarized results for year ended 31 December							
Revenue	33,529	63,417	26,769	102	2,767	1,029	
Profit for the year	12,784	11,595	6,481	(28,257)	(47)	81	
Other comprehensive income (OCI)	(2,193)	417	167	-	19	82	
Total comprehensive income	**10,591**	**12,012**	**6,648**	**(28,257)**	**(28)**	**163**	
Profit allocated to NCI	7,789	3,663	2,969	(10,103)	7	45	(437)
OCI allocated to NCI	(1,449)	134	83	-	15	29	(1)
Total comprehensive income allocated to NCI	**6,340**	**3,797**	**3,052**	**(10,103)**	**22**	**74**	**(438)**
Dividend paid to NCI	**4,075**	**3,259**	**-**	**-**	**18**	**8**	**-**

(All amounts in million SAR unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations

For the year ended 31 December 2020	***Saudi National Bank (SNB)[(a)]***	***Saudi Telecom Company (stc)***	***Saudi Arabian Mining Company (Ma'aden)***	***Ayar Third Investment Company [(b)]***	***Industrialization Energy Services Company (Taqa)***	***Saudi Real Estate Company (Al Akaria)***	***Other individually Immaterial subsidiaries***
Proportion of ownership interests (and voting rights) held by NCI	55.56%	29.90%	32.82%	14.72%	54.21%	35.42%	
Carrying value of NCI [(c)]	**47,460**	**20,438**	**16,977**	**(344)**	**4,804**	**991**	**4,415**
Summarized statement of financial position As at 31 December							
Non-current assets	492,274	76,113	81,804	4,684	7,521	6,753	
Current assets	107,172	45,859	14,933	2,485	2,945	779	
Assets held for sale	-	-	-	-	2,312	6	
Non-current liabilities	(240,212)	(23,814)	(49,303)	(588)	(2,070)	(1,915)	
Current liabilities	(279,019)	(32,891)	(10,134)	(8,994)	(1,676)	(2,772)	
Liabilities associated for assets held for sale	-	-	-	-	(1,904)	(12)	
Tier 1 Sukuk	(2,000)	-	-	-	-	-	
Non-controlling interest at subsidiary level	(9,005)	(1,321)	(7,048)	344	(2,052)	22	
Net assets attributable to equity shareholder	**69,210**	**63,946**	**30,252**	**(2,069)**	**5,076**	**2,861**	
Net assets attributable to NCI[(d)]	**47,460**	**20,438**	**16,977**	**(722)**	**4,804**	**991**	**4,415**
Summarized results for year ended 31 December							
Revenue	22,496	58,953	18,580	15	3,235	500	
Profit for the year	11,560	11,185	(847)	(1,839)	(425)	(159)	
Other comprehensive income (OCI)	181	(531)	(225)	-	-	32	
Total comprehensive income	**11,741**	**10,654**	**(1,072)**	**(1,839)**	**(425)**	**(127)**	
Profit allocated to NCI	6,477	3,477	(707)	(381)	(219)	(68)	(436)
OCI allocated to NCI	5	(169)	(108)	-	1	11	2
Total comprehensive income allocated to NCI	**6,482**	**3,308**	**(815)**	**(381)**	**(218)**	**(57)**	**(434)**
Dividend paid to NCI	**2,005**	**2,476**	**-**	**-**	**13**	**-**	**-**

(All amounts in million SAR unless otherwise stated)

23. NON-CONTROLLING INTERESTS (continued)

For the year ended 31 December 2021	*Saudi National Bank (SNB)[(a)]*	*Saudi Telecom Company (stc)*	*Saudi Arabian Mining Company (Ma'aden)*	*Ayar Third Investment Company [(b)]*	*Industrialization Energy Services Company (Taqa)*	*Saudi Real Estate Company (Al Akaria)*
Summarized statement of cash flows for year ended 31 December						
Net cash inflows (outflows) from operating activities	17,277	11,312	9,463	226	462	238
Net cash inflows (outflows) from investing activities	(503)	(2,103)	(3,816)	(3,378)	(846)	(97)
Net cash inflows (outflows) from financing activities	(6,100)	(9,939)	(1,800)	24,334	(476)	(211)
Net increase/(decrease) in cash and cash equivalents	**10,674**	**(730)**	**3,847**	**21,182**	**(860)**	**(70)**

For the year ended 31 December 2020	*Saudi National Bank (SNB)[(a)]*	*Saudi Telecom Company (stc)*	*Saudi Arabian Mining Company (Ma'aden)*	*Ayar Third Investment Company [(b)]*	*Industrialization Energy Services Company (Taqa)*	*Saudi Real Estate Company (Al Akaria)*
Summarized statement of cash flows for year ended 31 December						
Net cash inflows (outflows) from operating activities	5,270	4,697	(1,922)	(1,120)	(47)	(188)
Net cash inflows (outflows) from investing activities	(10,664)	(17,945)	(1,547)	(2,725)	(642)	101
Net cash inflows (outflows) from financing activities	41,892	9,004	4,111	4,831	1,755	525
Net increase/(decrease) in cash and cash equivalents	**36,498**	**(4,244)**	**642**	**986**	**1,066**	**438**

(a) Non-controlling interest as at 31 December 2021 includes Tier 1 Sukuk bonds issued by Saudi National Bank (SNB) (formerly National Commercial Bank (NCB)) for an amount of SAR 10.2 billion (2020: SAR 8.2 billion). During 2021, the Bank through a Shariah compliant arrangement ("the arrangement") issued additional cross border Tier 1 Sukuk (the "Sukuk"), amounting to SAR 4.7 billion (denominated in US Dollars) (2020: SAR 2.2 billion). During the same period, the Bank exercised the call option on its existing Tier 1 Sukuk amounting to SAR 2.7 billion (2020: SAR 1 billion). These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank. Additionally, subsequent to the year end, the Bank has completed the issuance of additional cross border Tier 1 Sukuk denominated in US Dollars, amounting to SAR 2.8 billion.

(b) Ayar Third Investment Company ("Ayar Third") is a wholly owned subsidiary of the Group. Non-controlling interest of Ayar Third arises from its subsidiary Lucid Group Inc. as the Group (through Ayar Third) holds 61.62% shareholding of the subsidiary as of 31 December 2021 (2020:85.28%). Non-controlling interest in Lucid Group Inc. was measured at fair value on the date of acquisition.

(c) The carrying value of NCI is before any intra-group eliminations. The total intra-group balance elimination related to NCI as at 31 December 2021 was SAR 3,761 million (2020: SAR 3,535 million)

(d) Net assets attributable to NCI include non-controlling interest at subsidiary level.

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS

	2021	*2020*
Types of employees' benefits		
Defined benefit liability (Note 24.1)	10,019	8,610
Employees' saving fund liability (Note 24.2)	357	254
Others	88	71
	10,464	**8,935**
Disclosed as:		
Non-current	10,413	8,898
Current	51	37
Total	**10,464**	**8,935**

24.1 Defined benefit plans

The Group provides for end of service benefits plan to its employees taking into consideration the local labour laws that are relevant and prevailing for the subsidiaries within the Group. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service years, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

(a) Unfunded plan - End of service benefits

The Group operates an unfunded end of service benefit plan (the plan) for its employees based on the prevailing Saudi Labour Laws and applicable laws for overseas subsidiaries. The calculation of end of service liability in respect of the plan was done using the most recent actuarial valuation as at 31 December 2021 in accordance with International Accounting Standards, IAS 19 – Employee Benefits. The liability recognized in the consolidated statement of financial position in respect of the plan is the present value of the defined benefit obligation at the end of the reporting period.

Liability under the plan is based on various assumptions ('actuarial assumptions") including the estimation of the discount rate, inflation rate, expected rate of salary increase and normal retirement ages. Based on the assumptions, also taking into consideration the future salary increases, cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation.

(b) Funded plan - defined benefit plan

One of the UK-based subsidiaries of the Group maintains a funded defined benefit final salary pension plan for a number of its employees. The assets of the plan are held independently of the subsidiary's assets in a separate trustee administered fund. The fund is subject to the UK regulatory framework for pensions. The fund exposes the Group to the risk of paying unanticipated contributions in times of adverse experience. Such events could be members living for longer than expected, higher than expected inflation or salary growth, and the risk that increases in the fund's obligations are not met by a corresponding improvement in the value of the fund's assets.

The net liability or asset is a valuation measure derived using an actuarial mathematical model. The modelling is performed by an independent actuary based upon the measurement criteria stipulated by the accounting standard IAS 19 - Employee Benefits. A pension asset does not indicate a realisable receivable from the pension plan and a liability does not indicate a funding requirement to the pension plan in the short term. The valuation measure indicates a point in time view of the fair value of the plan's assets less a discounted measure of the plan's future obligations over a duration of 19 years.

As at 31 December 2021, the plan assets comprised a 32% (2020: 37%) exposure to equities, with the balance of the exposure to multi-asset funds, hedging funds and debt. The plan assets have a quoted price in an active market and the hedging funds are designed to hedge the majority of inflation and interest rate risk.

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS (continued)

24.1 Defined benefit plans (continued)

(c) Changes in the present value of net defined benefit liability

The movements in the net defined benefits liability (present value of defined benefits obligations and fair value of plan assets) recognized in the consolidated statement of financial position are as follows:

	2021		
	Defined benefit liability	***Fair value of plan assets***	***Net defined benefit liability***
As at 1 January	9,442	832	8,610
Included in consolidated statement of profit or loss			
Current service cost	1,238	-	1,238
Past service cost	1	-	1
Net interest expense / income	211	11	200
Others	(1)	-	(1)
Total amount included in consolidated statement of profit or loss	**1,449**	**11**	**1,438**
Included in other comprehensive income			
Actuarial gain or loss arising from:			
Changes in demographic assumptions	(89)	-	(89)
Changes in financial assumptions	(394)	-	(394)
Experience adjustments	193	-	193
Return on plan assets (excluding amounts included in net interest income)	-	100	(100)
Total amount included in other comprehensive income	**(290)**	**100**	**(390)**
Other movements			
End of service benefits paid	(777)	(23)	(754)
Contributions paid by the employer	-	1	(1)
Acquired through business combination	837	-	837
Foreign currency exchange difference	286	9	277
Others	7	5	2
Total other movements	**353**	**(8)**	**361**
At 31 December	**10,954**	**935**	**10,019**

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS (continued)

24.1 Defined benefit plans (continued)

(c) Changes in the present value of net defined benefit liability (continued)

	2020		
	Defined benefit liability	***Fair value of plan assets***	***Net defined benefit liability***
As at 1 January (unaudited)	8,498	770	7,728
Included in consolidated statement of profit or loss			
Current service cost	961	-	961
Past service cost	3	-	3
Net interest expense / income	194	15	179
Others	(7)	-	(7)
Total amount included in consolidated statement profit or loss	**1,151**	**15**	**1,136**
Included in other comprehensive income			
Actuarial gain or loss arising from:			
Changes in demographic assumptions	35	-	35
Changes in financial assumptions	835	-	835
Experience adjustments	(97)	-	(97)
Return on plan assets (excluding amounts included in net interest income)	-	36	(36)
Total amount included in other comprehensive income	**773**	**36**	**737**
Other movements			
End of service benefits paid	(990)	(34)	(956)
Contributions paid by the employer	-	15	(15)
Foreign currency exchange difference	23	30	(7)
Others	(13)	-	(13)
Total other movements	**(980)**	**11**	**(991)**
At 31 December	**9,442**	**832**	**8,610**

Plan assets comprises the following:

	2021	*2020*
Investment funds	449	397
Equity instruments	302	311
Real estate	98	51
Debt/Sukuk instruments	60	60
Balance and deposits with banks	26	13
Total	**935**	**832**

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS (continued)

24.1 Defined benefit plan (continued)

(d) Key actuarial assumptions

The Group's plans are exposed to actuarial risks such as discount rate and salary risk.

Discount rate risk - A decrease in the discount rate will increase the end of service benefits plan liability.

Change in salaries - The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the plan's liability.

The present values of the defined benefit obligations at 31 December were computed using various assumptions including the estimation of the discount rate and expected salary increase rate. The assessment assumed expected salary increases ranging from 1.9% to 6% (2020: from 1% to 8%) per annum and a discount rate of 2% to 4% (2020: 2% to 3.4%) per annum.

Any changes in actuarial assumptions from one period to another may affect the determination of the estimated closing obligation, which is accounted for as an actuarial gain or loss for the period.

(e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant significant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Incremental impact on defined benefit obligations			
	2021		***2020***	
	1% Increase	***1% Decrease***	***1% Increase***	***1% Decrease***
Discount rate	(624)	1,277	(864)	1,028
Salary rate	1,302	(644)	1,005	(822)

When calculating the sensitivity of the employee benefit obligations to significant actuarial assumptions the same method (present value of employee benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination. Under Sensitivity Scenarios, the impact resulting from changes in the main assumptions used in the Base Scenario is examined. Scenarios are prepared with 100 basis points lower, and with 100 basis points higher than the salary increase rate assumption and discount rate assumption used in the Base scenario.

(f) Maturity profile of defined benefit liability

The expected maturity analysis of undiscounted employees' end of service termination benefits obligation is as follows:

Year	***2021***	***2020***
within 1 year	388	404
between 1 year to 2 years	378	372
between 2 to 3 years	380	390
between 3 to 4 years	374	429
between 4 to 5 years	426	501
beyond 5 years	12,961	9,729
Total	**14,907**	**11,825**

Based on the assumptions cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation. The weighted average duration of the employees' end of service termination benefits obligation for the subsidiaries within the Group range between 3 years and 19 years (2020: 5 years and 20 years).

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS (continued)

24.2 Employees' saving fund liability

(a) Employees' savings plan program

The movement in the employees saving fund- net is below:

	2021	*2020*
As at 1 January	254	144
Contribution for the year	179	152
Paid during the year	(76)	(42)
At 31 December	**357**	**254**

In accordance with Article 145 of the Labour Regulations, and in furtherance to Article 76 of the Internal Work Regulation of an entity with the Group, approved by resolution No. 424 dated 6th of Rabi II 1420H (corresponding to 19 July 1999), issued by His Highness the Minister of Labour and Social Affairs, a Savings Plan Program was introduced to encourage the Saudi employees to save and invest their savings in areas more beneficial to them, to secure their future and as an incentive for them to continue working with the Group.

Participation in the Savings Plan Program is restricted to Saudi Nationals only and optional with employees required to contribute a monthly minimum instalment of 1% to a maximum of 15% of their basic salary subject to a minimum of SAR 300 per month.

The Group contributes an amount equalling 10% of the monthly savings of each member per year for the first year and increase it by 10% per year in the years there after until it reaches 100% in the 10th year and continue contributing 100% from year 11 onwards, which will in turn be credited to the savings accounts of the employee. The Group's portion is charged to consolidated statement of profit or loss on a monthly basis. The Group's portion will only be paid to the employee after the expiry of 10 years, upon termination or resignation.

(b) Contribution program

The contribution program is operated by the Group, through one of its subsidiaries, for eligible employees and the board members of that subsidiary. The contribution program allows a participant to participate in a risk-free manner with respect to any contribution made to the program by the participant. The participant shall be entitled to a return on the amount of participation that is achieved by the subsidiary's investment portfolio as a whole.

24.3 Details of defined contribution plans

The Group is participating in pension schemes for its employees which are managed by government institutions in the countries concerned.

Payments to defined contribution schemes are charged as an expense as they fall due. Payments made to state-managed pension schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

(All amounts in million SAR unless otherwise stated)

25. PROVISIONS

	2021					
	Mining related severance fee	*Legal and regulatory provisions*	*Decommissioning, site rehabilitation and dismantling obligations*	*Onerous contract*	*Provision for other liabilities and charges*	*Total*
As at 1 January	211	4,905	736	47	2,707	**8,606**
Current year provision	223	294	265	-	4,717	**5,499**
Adjustments resulting from remeasurement and others	-	491	(101)	4	(58)	**336**
Net increase/decrease in provision	223	785	164	4	4,659	**5,835**
Settlement during the year	(213)	(194)	-	-	(298)	**(705)**
At 31 December	**221**	**5,496**	**900**	**51**	**7,068**	**13,736**
Disclosed as:						
Non-current	-	1,826	834	-	1,317	**3,977**
Current	221	3,670	66	51	5,751	**9,759**
Total	**221**	**5,496**	**900**	**51**	**7,068**	**13,736**

	2020					
	Mining related severance fee	*Legal and regulatory provisions*	*Decommissioning, site rehabilitation and dismantling obligations*	*Onerous contract*	*Provision for other liabilities and charges*	*Total*
As at 1 January	125	6,598	694	99	3,490	**11,006**
Current year provision	211	226	85	6	10	**538**
Adjustments resulting from remeasurement and others	(4)	(1,517)	(42)	(58)	(692)	**(2,313)**
Net increase/decrease in provision	207	(1,291)	43	(52)	(682)	**(1,775)**
Settlement during the year	(121)	(402)	(1)	-	(101)	**(625)**
At 31 December	**211**	**4,905**	**736**	**47**	**2,707**	**8,606**
Disclosed as:						
Non-current	-	742	736	46	1,457	2,981
Current	211	4,163	-	1	1,250	5,625
Total	**211**	**4,905**	**736**	**47**	**2,707**	**8,606**

(All amounts in million SAR unless otherwise stated)

25. PROVISIONS (continued)

25.1 Legal and regulatory provisions

The Group is party to number of legal and regulatory claims in the ordinary course of business. The Group, after taking independent legal advice, has established provisions based on the best estimates of the amounts required to settle these claims after taking into account the facts for each case. The timing of the cash outflows associated with the majority of the legal claims are typically less than one year, however, for some legal claims the timing of cash flows may be more than one year.

25.2 Decommissioning, site rehabilitation and dismantling obligations

Provisions for decommissioning, site rehabilitation and dismantling provisions are made for the costs associated with decommissioning, site rehabilitation and dismantling of assets such as mines and telecommunication sites which are utilized in the course of Group's normal operating activities. This provision represents the present value of the estimated future costs which are expected to be incurred in the year in which the respective assets are expected to be decommissioned.

These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon the future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the sites cease to produce at economically viable rates. This, in turn, will depend upon future prices, which are inherently uncertain.

25.3 Mining related severance fee

For the year ended 31 December 2020 and in accordance with the Saudi Mining Code based on the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to 4 October 2004), licensees are subject to (i) Kingdom of Saudi Arabia income tax, or (ii) if income tax is not applicable, a severance fee representing 25% of annual net income or the equivalent of the income tax, whichever is lower, with any applicable Zakat being deducted from this amount. Therefore, the net income for each mining license registered within Group's subsidiaries is subject to severance fees.

Severance fees are paid by at a fixed tariff per tons sold of low grade bauxite, kaolin and magnesia.

In accordance with the Saudi Mining Investment Code based on the Royal Decree No. 140/M dated 19 Shawwal 1441H (corresponding to 11 June 2020), licensees are required to pay to the Government of Saudi Arabia severance fees, representing equivalent of 20% of hypothetical income in addition to a specified percentage of the net value of the minerals upon extraction effective from 1 January 2021 which supersedes the Royal Decree No. 47/M dated 20 Sha'aban 1425H (corresponding to 4 October 2004) mentioned above.

The zakat due shall be deducted from this amount. Therefore, the net income for each mining license registered in the name of the Group's subsidiary is subject to severance fees.

Severance fees are shown as part of cost of sales in the consolidated statement of profit or loss.

Provision for severance fees consists of:

	2021	*2020*
Gold mines	160	210
Phosphate ore	59	-
Low grade bauxite	1	1
Magnesia and Dead burned magnesia	1	-
Total	**221**	**211**

(All amounts in million SAR unless otherwise stated)

25. PROVISIONS (continued)

25.3 Mining related severance fee (continued)

The provision for severance fees payable by gold mines is calculated as follows:

	2021	*2020*
Net value of minerals upon extraction for the year	**216**	-
1.5% Ad Valorem fee on extracted minerals for the year	3	-
Hypothetical income tax at 20% based on year's taxable net income	174	-
Provision for severance fees for the year	**177**	-
Net income from operating mines before zakat and severance fee for the year	**-**	**945**
25% of the year's net income as defined	-	236
Hypothetical income tax based on year's taxable net income	-	229
Provision based on the lower of the above two computations	-	229
Deduct of provision for zakat	(17)	(19)
Net severance fee provision for the year	**160**	**210**

The provision for severance fees payable by phosphate ore is calculated as follows:

	2021	*2020*
Net value of minerals upon extraction for the year	**250**	**-**
4% Ad Valorem fee on extracted minerals for the year	10	-
Hypothetical income tax at 20% based on year's taxable net income	140	-
Provision for severance fees for the year	**150**	-
Net income from operating mines before zakat and severance fee for the year	**-**	(1,071)
25% of the year's net income as defined	**-**	268
Hypothetical income tax based on year's taxable net income	**-**	-
Provision based on the lower of the above two computations	-	-
Deduction of provision for zakat	(91)	(32)
Net severance fee provision for the year	**59**	**-**

25.4 Provision for other liabilities and charges

Below is the breakdown of other liabilities and charges:

	2021	*2020*
Provision for compensation due to expropriation [(a)]	4,709	-
Legacy claims	1,317	1,442
Others	1,042	1,265
Total	**7,068**	**2,707**

(a) A high order assigned a government agency ("Expropriator") to carry out all expropriation activities in relation to Group projects and include required provisions within the Expropriator budget. For specified land areas of some of the Group projects, the Government directed the Group to bear the expropriation compensation, which include lands previously transferred to the Group without consideration or to be transferred to the Group in future. While all other expropriation activities are performed by the Expropriator, such as, obtaining legal permission to visit the private properties, identification of inventory eligible for compensation, verification of ownership documents, determining areas not eligible for compensation, determination of compensation due to expropriation, etc. Group relies on the Government assigned Expropriator, to provide reliable estimate for the expropriation compensation cost. Accordingly, the Group has recorded an expropriation compensation provision of SAR 4,709 million based on the expropriator's assessment. For other land areas identified for expropriation, where no reliable estimate is available from the Expropriator, the Group has not recorded a provision for compensation due to expropriation.

(All amounts in million SAR unless otherwise stated)

25. PROVISIONS (continued)

25.4 Provision for other liabilities and charges (continued)

(b) The Group is liable to settle certain legacy claims pertaining to a project for one of its subsidiaries. As of 31 December 2021, the value of outstanding claims amounted to SAR 4,750 million (2020: SAR 5,090 million). Such claims are being regularly assessed by the management of respective subsidiary and based on management's best estimate, a provision of SAR 1,317 million has been recognized in the statement of financial position as at 31 December 2021 (2020: SAR 1,442 million). The settlement of such claims is dependent on various factors including availability of information from contractors, court determination, etc. which may lead to possible settlements exceeding 12 months from the reporting date.

26. LOANS AND BORROWINGS

	2021	*2020*
Banking operations (Note 26.1)	150,645	100,425
Non-banking operations (Note 26.2)	98,696	96,208
Total borrowings	**249,341**	**196,633**
Disclosed as:		
Non-current	140,329	117,546
Current	109,012	79,087
Total	**249,341**	**196,633**

26.1 Banking operations

	Notes	*2021*	*2020*
Debt issued and borrowed funds	*(a)*	27,858	22,064
Due to banks and other financial institutions	*(b)*	122,787	78,361
Total loans and borrowings from banking operations		**150,645**	**100,425**
Disclosed as:			
Non-current		50,872	28,851
Current		99,773	71,574
Total		**150,645**	**100,425**

(a) Debt issued and borrowed funds

	2021	2020
Term loans from banks and financial institutions (i)	12,142	13,580
Bonds (ii)	9,730	5,953
Sukuk payable (iii)	5,986	2,531
	27,858	**22,064**

The movement in the debts issued and borrowed funds during the year is as follows:

	2021	*2020*
As at 1 January	22,064	14,152
Additions/drawdowns	16,089	13,055
Repayments	(15,307)	(4,958)
Additions arising from business acquisition	5,825	-
Foreign exchange fluctuations	(813)	(185)
At 31 December	**27,858**	**22,064**

(All amounts in million SAR unless otherwise stated)

26. LOANS AND BORROWINGS (continued)

26.1 Banking operations (continued)

(a) Debt issued and borrowed funds (continued)

The key features of the debt securities issued are as follows:

Particular	Tenor	Issue date	Interest rate	Approved facility	Repayment details	*2021*	*2020*
(i) Term loans from banks and financial institutions							
Conventional Loans (US $)	3 – 10 years	2017 – 2021	(0.18% - 1.8%) + 3 months LIBOR	6,049	Bullet repayment at maturity	6,049	5,805
Conventional Loans (SAR)	3 – 5 years	2020 – 2021	(0.65% - 1.1%) + 3 months SAIBOR/LIBOR	3,070	Bullet repayment at maturity	3,070	396
Short-term loans (SAR)	Up till 3 months	2020 – 2021	Agreed rates with banks	3,635	Bullet repayment at maturity	425	3,645
Islamic loans (SAR)	3 years	2018 – 2019	(1.08% - 1.31%) + 3 months SAIBOR	2,756	Bullet repayment at maturity	1,623	2,756
Islamic loans (US $)	5 years	2020	2.45% + 3 months LIBOR	975	Bullet repayment at maturity	975	978
(ii) Bonds issued							
Bonds (SAR)	2 – 5 years	2019 – 2020	(1.05% - 1.40%) + 3 months SAIBOR	1,903	Bullet repayment at maturity	150	1,903
Bonds (US $)	5 – 7 years	2017 – 2020	(1.44% - 2.05%) + 3 months LIBOR	4,050	Bullet repayment at maturity	3,745	4,050
Bonds (US $)	5 – 7 years	2019 – 2020	Fixed 2.75% - 2.9%	5,835	Bullet repayment at maturity	5,835	-
(iii) Sukuk issued							
Sukuk (Turkish Lira)	2 – 7 months	2020 – 2021	11.63% – 18.25%	1,773	Bullet repayment at maturity	276	1,773
Sukuk (SAR)	5 – 10 years	2018 – 2021	2.11% – 4.66%	6,750	Bullet repayment at maturity	5,710	758
Total						**27,858**	**22,064**

As at 31 December 2021, Sukuk issued and guaranteed by Government amounting to SAR 6,000 million (2020: nil)

(All amounts in million SAR unless otherwise stated)

26. LOANS AND BORROWINGS (continued)

26.1 Banking operations (continued)

(b) Due to banks and other financial institutions	*2021*	*2020*
Current accounts	9,431	4,609
Money market deposits *(i)*	75,656	50,541
Repos *(ii)*	37,700	23,211
Total	**122,787**	**78,361**

(i) ***Money market deposits***
Due to banks and other financial institutions includes money market deposits with fixed or determinable payments that are not quoted in an active market.

(ii) ***Repos***
Repo transactions are treated as collateralized borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions". The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement on an effective interest rate. Repo transactions are conducted under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) collateral guidelines. Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with related accounting policies for investments held at FVTPL, held at FVOCI and investments held at amortized cost. The securities pledged under agreement to repurchase (repo) are disclosed in Note 26.3 'Securities and collaterals' below.

26.2 Non-banking operations

	2021	*2020*
Bank borrowings	67,328	72,409
Loans from government and government related entities	14,365	13,518
Bonds and Sukuk payable	9,512	10,070
Convertible notes [(o)]	7,444	-
Bank overdraft	47	211
Total	**98,696**	**96,208**
Disclosed as:		
Non-current	89,457	88,695
Current	9,239	7,513
Total	**98,696**	**96,208**

The movement in borrowings from non-banking operations is as follows:

	2021	*2020*
As at 1 January	96,208	130,634
Additions/drawdowns [(*)]	17,452	16,663
Repayments	(10,333)	(49,043)
Conversion to capital by NCI	-	(260)
Foreign exchange fluctuations	(177)	135
Others	(4,454)	(264)
Related to discontinued operations	-	(1,657)
At 31 December	**98,696**	**96,208**

* Include non-cash additions/drawdowns amounted to SAR nil (2020: SAR 6,881 million).

26. LOANS AND BORROWINGS (continued)

(a) The Group, through one of its subsidiaries has entered into a long-term agreement with a consortium of financial institutions for a facility amounting to SAR 41,208 million (2020: SAR 41,179 million). The facility carries a margin of 0.75% (2020: 0.75%) over LIBOR and is repayable in 2023 (2020: 2023).

(b) The Group, through one of its subsidiaries, has entered into multiple Murabaha, Wakala and Sukuk facility arrangements with different banks amounting to SAR 19,566 million (2020: SAR 18,820 million). These facilities are denominated in SAR and USD, are repayable over a period from 2021 and 2032 (2020: 2023 and 2032) and carry a margin of 0.95% to 1.65% (2020: 0.8% to 1.65%) over LIBOR and SAIBOR. The carrying value of these loans as at 31 December 2021 is SAR 19,478 million (2020: SAR 21,387 million)
The respective subsidiary has also entered into a commercial loan arrangement with local banks amounting to SAR 1,504 million (2020: 1,504 million), denominated in USD, repayable in 2024 and carries a margin of 1.55% over LIBOR. The outstanding balance of this loan as at 31 December 2021 is SAR 1,246 million (2020: SAR 1,504 million).
It also has a commercial loan arrangement and overdraft with international banks, denominated in USD. The outstanding balance of this loan as at 31 December 2021 is SAR 827 million (2020: SAR 300 million).
It also has a loan facility with a government related entities based on a rate of 1.5% (2020: 1.5%) plus LIBOR. The outstanding balance of these loans as at 31 December 2021 amounting to SAR 11,782 million (2020: SAR 11,285 million).

(c) The Group, through one of its subsidiaries, has obtained Murabaha facilities from various banks and financial institutions. These Murabaha facilities are denominated in US Dollar, Malaysian Ringgit, Bahraini Dinar, Saudi Arabian Riyal and Kuwaiti Dinar, carry a margin ranging from 0.15% to 1.60% (2020: 0.25% to 1.60%) over London Interbank Offered Rate (LIBOR), Kuala Lumpur Interbank Offered Rate (KLIBOR), Bahrain Interbank Offered Rate (BHIBOR) or SAIBOR. Some of the above facilities carry an annual fixed interest rate of ranges from 1.27% - 2.25% (2020: 2.10% - 3.75%). These facilities are repayable over a period from 2022 to 2029 (2020: 2021 to 2025). The outstanding balance on these loans as at 31 December 2021 is amounting to SAR 2,528 million (2020: SAR 2,284 million)
The respective subsidiary has issued a domestic Sukuk program with a maximum of SAR 5,000 million. Sukuk certificates have a nominal value of SAR 1 million each, and they were issued with a nominal value for a period of 10 years. The carrying value Sukuk payable as at 31 December 2021 is SAR 1,543 million (2020: SAR 2,000 million). The profit rate of these Sukuk is 3-month SAIBOR plus a margin of 0.7% per annum. These Sukuk are repayable in 2024.
It has also established an international Sukuk programme and the issuance of Sukuk in accordance with directly or by establishing a special purpose vehicle that is established and used to issue primary or secondary Sukuk in one or several parts or one or several stages, or through a series of issues in US dollars, not exceeding the amount of SAR 18,750 million (equivalent to USD 5,000 million). The carrying value of the Sukuk payable as at 31 December 2021 is SAR 4,673 million (2020: SAR 4,672 million). Based on the above, during second quarter of 2019, the Group launched the first issue of the Sukuk program in the amount of SAR 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an international Sukuk in US dollar, with a total number of Sukuk 6,250 Sukuk with a nominal value of USD 200 thousand for the Sukuk with an annual return of 3.89% and a maturity of ten years.

(d) The Group, through one of its subsidiaries, has a total loan facilities ranging from 1 – 10 years (2020: 1 – 11 years) of SAR 4,400 million (2020: SAR 4,700 million) from banks and financial institutions. These loans bear financial costs based on rates ranges from 1.25% - 1.75% (2020: from 1.25% - 1.75%) plus SAIBOR for loans dominated in SAR and rates ranges from 1.46% - 1.51% (2020: from 1.46% - 1.51%) for AUD dominated loans. The balances of these loans as at 31 December 2021 is to SAR 953 million (2020: SAR 777 million).
The respective subsidiary has also a loan facility with a government related entity based on a fixed rate of 2.9% (2020: 2.9%). The outstanding balance of this loans as at 31 December 2021 amounting to SAR 562 million (2020: SAR 546 million).

(e) The Group, through one of its subsidiaries, has an outstanding interest-free loan amounting to SAR 700 million, to the Government, for the purpose of financing the projects. The loan is repayable over a period of five years commencing from the date the project is completed by the respective subsidiary.

(f) The Group, through one of its subsidiaries, has Islamic loans facilities with local banks with different maturities ranging from 2021 through 2024 (2020: from 2021 through 2024) and bear a rate of 1.75% plus SAIBOR. The balance of these loans as at 31 December 2021 amounting to SAR 425 million (2020: SAR 484 million).

26. LOANS AND BORROWINGS (continued)

26.2 Non-banking operations (continued)

(g) The Group, through one of its subsidiaries, has a loan facility with local bank amounting to SAR 1,936 million (2020: 686 million) with no fixed term of repayment and can be repaid at any time prior to the facility expiry or renewal without any penalty or fee and bear a rate of 0.75% (2020: 0.75%) plus SAIBOR. The outstanding balance of this loans as at 31 December 2021 amounting to SAR 1,735 million (2020: SAR 546 million).
It had also a loan facility is US dollar with international bank amounting to SAR 938 million had a fixed term of repayment of 90 days and bear rate of 1.75% plus USFFTR. The outstanding balance of this loan as at 31 December 2021 is nil (2020: SAR 75 million)

(h) The Group, through one of its subsidiaries, Islamic loans facilities with local banks amounting to SAR 650 million (2020: 750 million) with different maturities ranging from 2021 through 2025 (2020: from 2021 through 2025) and bear rates that ranges from 1.5% - 2% (2020: 1.5% - 2%) plus SAIBOR. The outstanding balance of these loans as at 31 December 2021 amounting to SAR 526 million (2020: SAR 742 million).
It has also a long-term loan from the government based on a rate of 1.5% plus SAIBOR. The loan is payable in 16 semi-annual installments with the last installment in 2029. The outstanding balance of this loans as at 31 December 2021 amounting to SAR 1,318 million (2020: SAR 1,301 million).

(i) The Group, through one of its subsidiaries, has short-term Murabaha revolving facilities agreements with commercial banks amounting to SAR 950 million (2020: 953 million). These revolving loans bear rates that ranges from 1.9% - 2.1% (2020: 1.9% - 2.1%). The outstanding balance of these loans as at 31 December 2021 amounting to SAR 950 million (2020: SAR 820 million).

(j) The Group, through one of its subsidiaries, has long-term Murabaha facilities and Tawaruq financing agreements with commercial banks with a total facility of SAR 1,661 million (2020: SAR 2,380 million) to finance the capital expenditure and working capital requirements. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2021 through 2026 (2020: 2020 through 2026). These loans bear financial costs based on rates ranges from 0.8% - 1.45% (2020: from 0.73% - 1.3%) plus SAIBOR. The balances of these loans as at 31 December 2021 amounting to SAR 479 million (2020: SAR 968 million).
It also obtained during the year an interest free loan from government related entity amounting to SAR 3 million (2020: nil). The loan is not subject to any covenants and the repayment of the loan is spread in 2021 through 2027.

(k) The Group, through one of its subsidiaries, has short-term facility agreement with local banks amounting to SAR 200 million (2020: 200 million) to finance its operations. This loan bear a rate of 0.75% (2020: 0.75%) plus SAIBOR. The balance of these loans as at 31 December 2021 is SAR 77 million (2020: SAR nil).

(l) The Group, through one of its subsidiaries, has Murabaha facilities agreements with commercial banks to finance the working capital requirements. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread in 2021 through 2023 (2020: 2020 through 2023). The effective borrowing rate on these loans is 2.09% (2020: 3.01%). The balance of these loans as at 31 December 2021 amounting to SAR 73 million (2020: SAR 134 million).

(m) During the year ended 31 December 2021, The Group, through one of its subsidiaries, has entered into common term agreement with local banks. The agreement is to provide the respective subsidiary a Term facility and Revolving facility for the development of projects under construction. The total value of facility is SAR 14,070 million. Out of total facility awarded, the respective subsidiary received an amount of SAR 31 million. The loan facility bears interest rate of 1% plus SAIBOR. The first installment of the loan is payable in 2027.

(n) The Group, through one of its subsidiaries, had a long term secured margin loan agreement with international bank in which the bank agreed a total loan commitment amounting to SAR 1,923 million. The loan carries special commission rate of 0.60% + JPY LIBOR per annum and is due to mature after 36 months of the loan agreement. During the year, the respective subsidiary has paid off the full amount of the loan. As at 31 December 2020, the outstanding balance was SAR 2,023 million.

26. LOANS AND BORROWINGS (continued)

26.2 Non-banking operations (continued)

(o) ***Convertible notes ("2026 notes")***

In December 2021, one of the Group's subsidiaries issued an aggregate of SAR 7.54 billion (equivalent to US $2.01 billion) principal amount of 1.25% convertible senior notes due in December 2026, in a private offering to qualified institutional buyers pursuant to local statutory regulations at an issuance price equal to 99.5% of the principal amount of 2026 Notes. The 2026 Notes have been designated as green bonds, whose proceeds will be allocated in accordance with the respective subsidiary's green bond framework. The net proceeds from the issuance of the 2026 Notes were amounting to SAR 7.45 billion (equivalent to US $1.98 billion), net of debt discounts and issuance costs. The 2026 Notes were issued pursuant to and are governed by an indenture dated 14 December 2021, between the respective subsidiary and U.S. Bank National Association as the trustee.

The 2026 Notes are unsecured obligations which bear regular interest at 1.25% per annum and will be payable semiannually in arrears on June 15 and December 15 of each year, beginning on 15 June 2022. The 2026 Notes will mature on December 15, 2026, unless repurchased, redeemed, or converted in accordance with their terms prior to such date. The 2026 Notes are convertible into cash, shares of the respective subsidiary's Class A common stock, or a combination of cash and shares of the respective subsidiary's Class A common stock, at the respective subsidiary's election, at an initial conversion rate of 18.2548 shares of Class A common stock per US $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of approximately US $54.78 per share of Class A common stock. The conversion rate is subject to customary adjustments for certain dilutive events. The respective subsidiary may redeem for cash all or any portion of the 2026 Notes, at the respective subsidiary's option, on or after December 20, 2024 if the last reported sale price of the Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid interest up to the day before the redemption date. The holders may require the respective subsidiary to repurchase the 2026 Notes upon the occurrence of certain fundamental change transactions at a redemption price equal to 100% of the principal amount of the 2026 Notes redeemed, plus accrued and unpaid interest up to the day before the redemption date.

Holders of the 2026 Notes may convert all or a portion of their 2026 Notes at their option prior to 15 September 2026, in multiples of US $1,000 principal amounts, only under the following circumstances:

- during any calendar quarter commencing after the quarter ending on 31 March 2022 (and only during such calendar quarter), if the respective subsidiary's common stock price exceeds 130% of the conversion price for at least 20 trading days during the 30 consecutive trading days at the end of the prior calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period in which the trading price per US $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the respective subsidiary's common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of specified corporate events; or
- if the subsidiary calls any or all 2026 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the notes called for redemption.

On or after 15 September 2026, the 2026 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. Holders of the 2026 Notes who convert the 2026 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2026 Notes, or in connection with a redemption may be entitled to an increase in the conversion rate.

The Group accounted for the issuance of the 2026 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

The 2026 Notes were not eligible for conversion as of December 31, 2021. No sinking fund is provided for the 2026 Notes, which means that the Group is not required to redeem or retire them periodically.

(All amounts in million SAR unless otherwise stated)

26. LOANS AND BORROWINGS (continued)

26.3 Securities and collaterals

The Group has pledged/hypothecated the following assets in favor of the banks and financial institutions to fulfil the collateral requirements in the borrowing arrangements.

(a) The Group's banking subsidiaries enter into collateralized borrowing transactions (repurchase agreements) in the ordinary course of its financing activities. Collateral is provided in the form of securities held within the investment securities portfolio. The carrying amount and fair value of securities pledged under agreement to repurchase (repo) are as follows:

	2021		***2020***	
	Carrying value	***Fair value***	***Carrying value***	***Fair value***
Held at FVOCI	22,180	22,180	19,513	19,513
Investment held at amortized cost	19,430	21,291	5,921	6,292
Total	**41,610**	**43,471**	**25,434**	**25,805**

(b) Margin deposit of SAR 2,203 million (2020: SAR 1,824 million) is placed as an additional security for these repo transactions.

(c) Property, plant and equipment with a carrying value of SAR 21,562 million (2020: SAR 21,833 million) are pledged. These include Property, plant and equipment and capital work-in-progress pledged as security to lenders (long-term borrowings) under the Common Terms Financing Agreement.

(d) Mining properties with a carrying value of SAR 4,199 million (2020: SAR 4,617 million) are pledged as security to lenders (long-term borrowings) under the Common Terms Financing Agreement.

(e) Investment properties with a carrying value of SAR 2,000 million (2020: SAR 2,000 million). The long-term Islamic loan granted to the Group is secured by the Group's collateralized land.

(f) Certain Islamic financing are secured principally by the assignment of certain trade receivables.

26.4 Covenants and conditions

The covenants and conditions of the borrowing facilities require the Group to maintain certain level of financial covenants and other related requirements.

As at 31 December 2021, a subsidiary of the Group was not in compliance with certain of its loan covenants related to maintenance of certain financial ratios as per the loan agreements with the lender. However, the subsidiary has obtained exemptions from the lender in respect of such non-compliances. These non-compliances do not have any impact on the consolidated financial position of the Group.

A future breach of covenants may lead to renegotiation. The covenants are monitored on a quarterly basis by the Group. In case of potential breach, actions are taken by management to ensure compliance. As at 31 December 2021, there has been no non-compliance for any of the covenants other than mention above.

(All amounts in million SAR unless otherwise stated)

27. LEASE LIABILITIES

27.1 Group as a lessee

(a) The movement in the lease liabilities:

	2021	2020
As at 1 January	9,030	8,218
Additions during the year*	3,529	2,714
Payments	(2,333)	(1,822)
Interest accrued	438	394
Remeasurements	164	238
Related to discontinued operation	-	(55)
Disposals	(306)	(597)
Translation differences	9	(59)
Other adjustments	88	(1)
At 31 December	**10,619**	**9,030**

*Additions include leases acquired through business combination amounting to SAR 578 million (2020: SAR 28 million).

Disclosed as:	2021	2020
Non-current	8,151	7,375
Current	2,468	1,655
Total	**10,619**	**9,030**

(b) Total cash outflows for leases for the year

	2021	2020
Cash payment for the principal portion of the lease liability	1,965	1,477
Cash payment for the interest portion of the lease liability	368	345
Cash payment for the short term, low-value leases and variable lease payments not included in the measurement of the lease liability	664	495
	2,997	**2,317**

(c) Amounts recognized in the consolidated statement of profit or loss

	2021	2020
Amortization expense of right-of-use assets	2,052	2,050
Impairment expense of right-of-use assets	42	-
Interest expense on lease liabilities	438	389
Expenses relating to short-term leases	502	528
Leases expenses related to low value leases	518	360
Expenses relating to variable lease payments	289	66
Net amounts recognized in consolidated statement of profit or loss	**3,841**	**3,393**

(d) Undiscounted maturity profile of lease liabilities

	2021	2020
Less than three months	373	346
Between three months and 12 months	2,137	2,078
Between 1 year and five years	5,460	6,874
Above five years	4,749	5,401
	12,719	**14,699**

(All amounts in million SAR unless otherwise stated)

27. LEASE LIABILITIES (continued)

27.1 Group as a lessee (continued)

(e) **Inputs used to measure lease liability**

	Details	
	2021	***2020***
Weighted average discount rate	1.1% to 7.7%	1.12% to 5%
Range of discount rate	1% to 17.4%	1% to 22.5 %
Years of maturity *(i)*	1 to 78 years	1 to 37 years
Year of maturity *(ii)*	2099	2057

(i) The lower end of the range will be the earliest maturing leases and the higher end of the lease will include the last maturing lease

(ii) The year of the last maturing lease.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Extension and termination options are included to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor.

(f) Short-term leases and leases of low-value assets:
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

27.2 Group as a lessor – Operating lease contracts

Primary items of assets subject to an operating lease include land and building classified within Investment Properties amounting to SAR 3,410 million (2020: SAR 2,723 million). Lease income amounting to SAR 573 million (2020: SAR 331 million) has been recognized in the consolidated statement of profit or loss.

Maturity analysis of undiscounted lease receivables:

	Minimum lease receivable	
	2021	***2020***
Less than 1 year	453	362
1 to 2 years	97	112
2 to 3 years	58	82
3 to 4 years	29	48
4 to 5 years	22	20
Above 5 years	119	28
	778	**652**

(All amounts in million SAR unless otherwise stated)

28. DEFERRED GOVERNMENT GRANTS

	2021	*2020*
As at 1 January	**3,978**	3,324
Received during the year	**2,114**	807
Released to the consolidated statement of profit or loss	**(2,138)**	(153)
At 31 December	**3,954**	**3,978**
Disclosed as:		
Non-current	**3,373**	3,947
Current	**581**	31
Total	**3,954**	**3,978**

The details of the deferred government grants are as follows:

(a) Deferred government grants include grants amounting to SAR 3,733 million as at 31 December 2021 (2020: SAR 3,772 million). These grants are provided by Communication and Information Technology Commission ("CITC") to one of the Group's subsidiaries to build telecommunication network in different areas in the Kingdom of Saudi Arabia.

(b) During the year ended 31 December 2021, the Group received a government grant amounting to SAR 115 million (2020: SAR 183 million) from a Government body under the National Industries Development Program & Logistics services (NIDPL). The grant is specific to the purchase and installation of the system of signals and communication on specific railway lines/network in the Kingdom of Saudi Arabia. The un-amortized portion of this government grant as at 31 December 2021 is SAR 186 million (2020: SAR 133 million).

(c) In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Group as at 31 December 2020 is the deferred payments program.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net special commission income.

In order to compensate the related cost that the Group's banking and financing subsidiaries have incurred under the SAMA and other public authorities program, during the year 2020, the Group received profit free deposits from SAMA with varying maturities, and subsequently in 2021 acquired profit free deposit as part of business combination. As at the year ended 31 December 2021, the total of outstanding deposits amounted to SAR 14 billion (202: SAR 11.6 billion) which qualified as government grant. Banking and financing subsidiaries determined based on the communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income.

By the end of the year 2020, total income of SAR 832 million had been recognized in the statement of income. During the year ended 31 December 2021, a total income of SAR 87 million has been recognized in the statement of income with respect to related deposits.

28. DEFERRED GOVERNMENT GRANTS (continued)

(d) Non-cash receipt of government grant amounted to SAR 138 million (2020: SAR 59 million).

(e) In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

In respect to the liquidity support, and during the year ended 31 December 2021, the Group's banking subsidiaries received SAR 7.6 billion profit-free deposit with one year maturity. Group's banking subsidiaries determined that this government grant primarily relates to liquidity and fees waiver support. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This deposit was repaid in June 2021.

(f) During the year ended 31 December 2021, one of the Group's subsidiary has recognized SAR 1,923 million (2020: SAR 833 million) as government grant income on account of balancing fund plan to fund its operational losses. In this respect, during the year ended 31 December 2021, the Group collected SAR 1,528 million (2020: SAR 655 million). Management believes the remaining amount recognized during the year to be recoverable. This grant is directly credited in the consolidated statement of profit or loss.

(g) There are no unfulfilled conditions or contingencies attached to these grants.

(All amounts in million SAR unless otherwise stated)

29. TRADE AND OTHER PAYABLES

29.1 Financial Liabilities

	2021	*2020*
Accrued expenses and accounts payables (non-trade)	28,682	26,529
Trade payables	22,155	18,108
Payables for projects	8,986	11,073
Staff-related payables	6,103	4,136
Government payables	2,617	4,208
Capital supplier dues and retentions	3,749	3,650
POS and credit card payable – Banking Operations	2,251	1,302
Temporary SADAD accounts – Banking Operations	2,201	2,400
Margin call payable – Banking Operations	1,722	620
Dividend payable	1,435	760
Customer refundable deposits	1,304	73
Accrued government fees	1,171	1,086
Other financial liabilities	7,330	3,896
Sub-total (A)	**89,706**	**77,841**

29.2 Non-Financial Liabilities

	2021	*2020*
Contract liabilities (Note 29.3)	19,544	11,945
Allowance for indirect facilities- Banking and Financing Operations	4,471	338
Service concession liabilities	1,584	1,059
VAT payables	294	183
Other non-financial liabilities	1,215	106
Sub-total (B)	**27,108**	**13,631**
Total trade and other payables (A + B)	**116,814**	**91,472**
Disclosed as:		
Non-current	7,140	11,207
Current	109,674	80,265
Total	**116,814**	**91,472**

29.3 Contract liabilities:

Contract liabilities comprises of deferred revenue, advances from customers, rebate payable to customers and customers' loyalty programs.

Significant changes in Contract liabilities during the year:

	2021	*2020*
Balance at the beginning of the year	11,945	9,590
Additions during the year	21,297	11,411
Changes due to business combinations	1,249	693
Recognised as revenue	(14,902)	(9,835)
Other movements	(45)	86
Total contract liabilities	**19,544**	**11,945**

(All amounts in million SAR unless otherwise stated)

30. CUSTOMER DEPOSITS

Customer deposits represent the payables arising from the Banking Operations of the Group.

30.1 The details of customer deposits

	2021		*2020*	
	Islamic	*Conventional*	*Islamic*	*Conventional*
Current accounts	426,936	37,856	310,857	33,443
Time	67,370	48,514	56,020	30,217
Savings	418	-	733	899
Others	15,350	6,937	11,582	3,472
	510,074	**93,307**	**379,192**	**68,031**

	2021	*2020*
Disclosed as:		
Non-current	305,025	191,999
Current	298,356	255,224
Total	**603,381**	**447,223**

30.2 The breakdown of customer deposits is as follows:

(a) Geographical segment

	2021	*2020*
Kingdom of Saudi Arabia	544,974	387,429
Other countries	6,104	55,531
Other Gulf Cooperation Countries	52,303	4,263
	603,381	**447,223**

(b) Business segment

	2021	*2020*
Retail	282,931	242,736
Corporate	249,100	126,035
Government	43,363	42,431
Others	27,987	36,021
	603,381	**447,223**

30.3 Details on foreign currency deposits included in customers' deposits as follows:

	2021	*2020*
Time	63,246	47,481
Current accounts	62,375	43,132
Savings	36	103
Others	710	22
	126,367	**90,738**

The above includes Islamic deposits amounting to SAR 69,031 million (2020: SAR 49,357 million).

30.4 Deposits held as collateral for irrevocable commitments and contingencies:

	2021	*2020*
Letters of guarantee	9,621	4,196
Export letters of credit	875	769
Import letters of credit	66	30
	10,562	**4,995**

(All amounts in million SAR unless otherwise stated)

31. REVENUE

	2021	*2020*
Revenue from Banking and financial services:		
Special commission and interest income	26,934	21,275
Fee and commission income	4,424	3,273
Trading and other revenue from banking and financial services	4,374	2,975
Total revenue from banking and financial services	**35,732**	**27,523**
Non-banking Operations:		
Revenue from investment operations	71,352	54,769
Revenue from telecommunication	62,487	58,388
Revenue from mining activities	26,769	18,598
Revenue from advance traffic management system and related activities	7,841	5,124
Revenue from educational services and projects	4,842	3,993
Revenue from drilling for oil and gas wells and related activities	2,607	3,235
Agriculture and livestock production and related services	1,538	999
Others [(a)]	15,071	6,411
Total revenue	**228,239**	**179,040**

(a) Others mainly include:
- revenue from advance electronics and aerospace amounting to SAR 3,026 million (2020: 104 million),
- revenue from events' operations services amounting to SAR 1,949 million (2020: 99 million),
- revenue from project management and consultancy services amounting to SAR 1,276 million (2020: SAR 795 million),
- revenue from information technology solutions and services amounting to SAR 1,064 million (2020: SAR 540 million)
- revenue from manpower and outsourcing services amounting to SAR 991 million (2020: SAR 944 million),
- revenue from aviation services amounting to SAR 978 million (2020: SAR 530 million),
- revenue from trading of securities and related activities amounting to SAR 743 million (2020: SAR 781 million).

(b) Revenue recognized during the year ended 31 December 2021 that was included in the contract liability balance at the beginning of the period amounting to SAR 3,050 million (2020: SAR 3,150 million)

(c) The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2021, amounting to SAR 10,865 million (2020: SAR 3,110 million)

(d) Out of the above total future revenue, the amount expected to be recognized within the next 12 months amounting to SAR 5,809 million and following the 12 months period amounting to SAR 5,056 million.

31.1 Geographical markets based on location of the customers:

	2021	*2020*
MENA	96,381	77,683
Indian subcontinent and Asia-pacific	8,800	6,227
Europe	5,334	4,883
North America	3,114	2,423
Africa	2,579	1,566
Latin America	1,640	1,109
Australia	1,122	1,508
Rest of the world	1,758	1,018
Total	**120,728**	**96,417**

The disaggregation of revenue based on geographical markets exclude revenue generated from banking and financial service, revenue from investment operations and rental revenue.

(All amounts in million SAR unless otherwise stated)

31. REVENUE (continued)

31.2 Analysis and timing of revenue recognition

	2021	***2020***
Revenue from investment operations	71,352	54,769
Special commission and interest income, fee income and commission income relating to banking operations	35,732	27,523
Lease revenue	427	331
Revenue from contract with customers		
At a point in time	54,029	48,170
Over a period of time	66,699	48,247
	228,239	**179,040**

31.3 Contract balances

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

	2021	***2020***
Trade receivables (refer Note 19)	54,330	31,765
Contract assets (refer Note 16.3)	12,419	11,843
Contract liabilities (refer Note 29.3)	19,544	11,945
Receivables, which are included in ‘discontinued operations’	-	124

32. COST OF REVENUE

		2021	***2020***
(a)	**Cost of revenue from banking and financing operations**		
	Special commission expense	2,899	2,708
	Interest expense	659	593
	Fee and commission expenses	885	849
	Total cost of revenue from banking and financing operations	**4,443**	**4,150**
(b)	**Cost of revenue from telecommunication**		
	Cost of devices sold	10,013	8,709
	Depreciation and amortization	7,032	6,764
	Government charges on telecommunications	5,848	2,741
	Network access charges	4,968	4,740
	Employees costs	3,570	3,338
	Other cost of revenue from telecommunication [(a)]	4,798	4,935
	Total cost of revenue from telecommunication	**36,229**	**31,227**
(c)	**Cost of revenue from mining**		
	Raw material and utilities consumed (including consumables)	8,273	6,117
	Depreciation and amortization	4,518	4,763
	Employees costs	1,710	1,470
	Contracted services	1,632	1,332
	Other cost of revenue from mining [(b)]	687	1,886
	Total cost of revenue from mining	**16,820**	**15,568**

(All amounts in million SAR unless otherwise stated)

32. COST OF REVENUE (continued)

		2021	*2020*
(d)	**Cost of revenue from agricultural and livestock production and related services**		
	Direct material	640	307
	Movement in biological assets and inventory	367	227
	Employees costs	104	90
	Depreciation and amortization	145	139
	Loss (gain) on fair value of biological assets and agricultural produce	(633)	(267)
	Other cost of revenue from agricultural and livestock production and related services [c]	157	118
	Total cost of revenue from agricultural and livestock production and related services	**780**	**614**
(e)	**Cost of revenue from investment operations**		
	Investments advisory expenses	639	403
	Investments projects expenses	38	16
	Transactions cost	10	-
	Other cost of revenue from investment operations	12	3
	Total cost of revenue from investment operations	**699**	**422**
(f)	**Cost of revenue from other industries**		
	Contracted services	5,660	3,153
	Employees costs	5,427	3,638
	Projects costs	4,155	-
	Operations, repairs and maintenance	1,742	2,814
	Depreciation and amortization	1,486	1,829
	Raw Materials/Direct materials consumed	528	262
	Lease (rent) expenses	397	168
	Infrastructure and operations management	360	150
	Spares and consumables	327	274
	Obsolete and slow moving inventory	321	14
	Consultancy, legal and professional fees	281	268
	Cost of devices sold	165	85
	Impairment of property, plant and equipment and investment properties	105	159
	Government fees on services	105	95
	Other cost of revenue [d]	2,190	1,772
	Total cost of revenue from other industries	**23,249**	**14,681**
Total cost of revenue		**82,220**	**66,662**

(a) Other cost of revenue from telecommunication include repair and maintenance, cards recharge and printing cost, rent expense and an impairment of contract cost amounting SAR 11 million (2020: nil) and write-down of inventory to net realizable value amounting SAR 36 million (2020: nil).

(b) Other cost of revenue from mining include severance fees, cost of rendering transportation services, repairs and maintenance and other overhead costs and write-down of inventory to net realizable value amounting SAR 9 million (2020: nil).

(c) Other cost of revenue from agricultural and livestock production and related services include repair and maintenance, rent expense, own seeds and impairment of property, plant and equipment amounting to SAR 5 million (2020: 4 million).

(d) Other cost of revenue from other industries include utilities expenses, licensing fees, transportation expenses, catering costs, films rent, food and beverage costs, insurance expenses, marketing and sponsorship, cost of project management services and construction contracts, general subcontracting, safety and security, fuel expenses and others.

(All amounts in million SAR unless otherwise stated)

33. OTHER OPERATING INCOME, NET

	2021	*2020*
Gain from sale and deemed gain from investment in associates and joint ventures	8,901	648
Government grant income and amortization of government grant	2,053	894
Net change in fair value of financial assets measured at FVTPL (Non-investment operations)	967	(20)
Gain from sale of investment in debt securities measured at amortized cost (non-investment operations)	327	-
Dividend/distribution income (non-banking, non-investment operations)	201	32
Reversal of provision for contractor claims	28	698
Net gain/(loss) on derivative instruments at fair value through profit or loss (refer to note 13)	(2,802)	628
Net gain (loss) on disposal/write-off of property, plant and equipment, investment properties and termination of right-of-use assets	(288)	(115)
Early Retirement Cost	(313)	(600)
Net foreign exchange gain (loss)	(180)	(81)
(Impairment) reversal of impairment of investments in associates and joint ventures, net	(512)	639
Net gain/(loss) on disposal of assets and liabilities classified as held for sale	(52)	-
Other operating expenses	(683)	(193)
Total	**7,647**	**2,530**

34. SELLING AND DISTRIBUTION EXPENSES

	2021	*2020*
Employees cost	3,307	2,612
Advertising and publicity	931	712
Marketing fees	843	304
Sales commissions	380	691
Call center expense	275	194
Freight and overheads	219	236
Amortization and impairment of contract fulfillment costs	140	355
Professional fees	78	74
Repairs and maintenance expenses	77	194
Sport activities sponsorship cost	71	225
Amortization and depreciation	90	49
Warehouse and storage	61	106
Other selling and distribution expenses [(a)]	504	469
Total	**6,976**	**6,221**

(a) Other selling and distribution expenses include mainly pre-sales development, transportation and distribution expenses, consumables, contracted services, telephone and utility expenses, branding, business travels and rent expenses and other selling expenses.

(All amounts in million SAR unless otherwise stated)

35. ADMINISTRATIVE EXPENSES

	2021	*2020*
Acquisition related transaction costs (refer to note 44.2)	20,908	277
Employee cost	17,898	12,942
Amortization and depreciation	6,051	4,670
Consultancy, legal and professional fees	6,183	3,549
Research and development costs [(a)]	2,020	1,384
Impairment of assets [(b)]	1,635	2,004
Repairs and maintenance expenses	1,247	1,301
Telephone and other communication expenses	1,113	470
Overheads and other expenses	835	649
Lease expenses	770	602
Contracted services	681	858
Business travel	523	208
Sponsorships and advertisement	385	258
Impairment provision on other real estate	281	184
Donations	160	198
Information technology services	156	156
Impairment of contract assets	154	181
Training expense	114	124
Electricity, water and other utilities	87	309
Security and safety	64	101
Impairment (reversal of impairment) of other assets	(41)	197
Other administrative expenses [(c)]	2,398	1,103
Total	**63,622**	**31,725**

(a) Research and development costs include employee costs amounting to SAR 1,021 million (2020: SAR 541 million) and depreciation and amortization amounting to SAR 280 million (2020: SAR 26 million).

(b) Impairment of property, plant and equipment, investment property, right-of-use assets and intangibles is net off of recovery amounting of SAR nil (2020: SAR 21 million).

(c) Other administrative expenses mainly include insurance, freight, handling, postage and courier expenses, branding, public relations expenses, exhibitions and conferences, subscriptions, spares and consumables, withholding tax and BoD and committees' remuneration.

36. OTHER FINANCE COSTS

	2021	*2020*
Finance costs on conventional borrowings from banks and financial institutions	509	1,409
Finance costs on lease liabilities	438	315
Interest expense on Sukuk	300	338
Finance costs on Islamic borrowings from banks and financial institutions	236	637
Finance costs on loans from Government controlled entities	206	299
Finance cost on employees' end of service benefits obligation	200	172
Unwinding of discounts on provisions, long-term retention payable and financial liabilities	136	86
Finance costs on loans from associates	109	100
Other finance costs [(a)]	409	240
Total	**2,543**	**3,596**

(a) Others include mainly unwinding of decommissioning, site rehabilitation and dismantling obligations, amortization of transaction cost and settlement of accrued derivative interest.

(All amounts in million SAR unless otherwise stated)

37. OTHER FINANCE INCOME

	2021	*2020*
Interest income and profit earned from Government and Government related entities	5,646	3,507
Interest income on loans and advances [(a)] [non-banking, non-investment operations]	734	724
Interest income from banks [(b)] (including time deposits, short-term deposits)	569	1,622
Interest income and profit income from Bonds and Sukuk	51	62
Other finance income	31	30
Total	**7,031**	**5,945**

(a) Interest income on loans and advances include an amount of SAR 15 million (2020: 56 million) earned from associates and joint ventures

(b) Interest income from banks include an amount of SAR 21 million (2020: 35 million) earned from associates and joint ventures

38. EMPLOYEE COSTS

	2021	*2020*
Wages and salaries	19,818	17,730
Other Indirect Benefits and Allowances (e.g. Housing, Education, Transportation)	4,840	3,069
Share based payment expense	2,017	160
Contribution to social insurance	1,414	1,270
Employees' defined benefits obligations	1,239	1,063
Employees' Medical/Health/Life insurance expenses	569	224
Contribution to staff benefit schemes (saving and contribution plans)	97	108
Others [(a)]	3,544	1,202
Total	**33,538**	**24,826**

(a) Others include other training expenses, employee related iqama and visa expenses, employees' loans discounts, capitalization of employee costs as projects under developments and other benefits.

	2021	*2020*
Allocated to:		
Cost of revenue	10,811	8,537
Administrative expenses	18,919	13,483
Selling and distribution expenses	3,307	2,612
Cost capitalized under PPE	501	194
Total	**33,538**	**24,826**

(All amounts in million SAR unless otherwise stated)

39. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2021	*2020*
Impairment loss on Islamic financing and investment products – net of recoveries	2,592	1,559
Impairment loss on trade and other receivables – net of recoveries	2,302	1,528
Impairment loss on financing and advances - net of recoveries	1,529	1,658
Impairment (reversal) / loss on loans and receivables	(120)	(68)
Impairment (reversal) / loss on investment securities – net	(79)	15
Impairment (reversal) / loss on cash and deposits with banks – net	12	(1)
Total	**6,236**	**4,691**

40. COMMITMENT AND CONTINGENCIES

40.1 Commitments

(a) Investment commitments

The Group has the following contractual investment commitments as at 31 December:

	2021	*2020*
Investment securities *(i)*	124,961	144,960
Investment in subsidiaries	286	-
Investment in joint ventures	85	50
Total	**125,332**	**145,010**

(i) These commitments comprise of:

- Commitments for investments, which are not yet called, amounting to SAR 123,836 (2020: SAR 143,835 million); and
- Agreement to invest in a fund aiming to improve the telecommunication and internet environment amounting to SAR 1,125 million (2020: SAR 1,125 million).

(b) Capital commitments

The Group has the following contractual capital commitments:

	2021	*2020*
Within one year	23,301	21,956
After one year but less than five years	26,412	21,160
More than five years	835	44
Total	**50,548**	**43,160**

(All amounts in million SAR unless otherwise stated)

40. COMMITMENT AND CONTINGENCIES (continued)

40.2 Assets held in fiduciary capacity

The Group's banking subsidiaries offer investment management, other fiduciary activities on behalf of clients, including management of certain investment funds in consultation with professional investment advisors, and hold assets in fiduciary capacity as at 31 December 2021 amounting to SAR 262,007 million (2020: SAR 237,458 million). Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly have not been included in the consolidated statement of financial position.

The Group manages National Water Company ("NWC") on behalf of the Owner, which is not treated as assets of the Group and accordingly is not included in these special purpose consolidated financial statements.

40.3 Contingencies

	2021	*2020*
Financial guarantees [(a)]	73,396	44,109
Letters of credit	26,416	11,960
Performance bonds	4,951	4,119
Third party claims [(b)]	3,602	3,693
Customer acceptances	4,054	3,135
Others	4,222	757
Total	**116,641**	**67,773**

(a) Financial guarantees exclude related provisions amounting to SAR 4,302 million.

(b) Third party claims mainly comprise of legacy contractors' claims arising as part of the transfer of a project from the Fund to one of its subsidiaries. As of 31 December 2021, the value of outstanding claims amounted to SAR 4,750 million (2020: SAR 5,090 million) and based on management's best estimate, a provision of SAR 1,317 million (SAR 1,442 million) has been recorded in the statement of financial position.

40.4 Undrawn loan commitments

	2021	*2020*
Undrawn loan and Murabaha commitments	**15,074**	**16,486**

These exclude deposits amounting to SAR 4,848 million (2020: SAR 3,577 million) of margins held for irrevocable commitments and contingencies.

40.5 ECL on unfunded exposures

	2020	*2020*
Unfunded exposure in stage 1	227	66
Unfunded exposure in stage 2	910	24
Total	**1,137**	**90**

41. OPERATING SEGMENTS

41.1 Basis for segmentation

An operating segment (“segment”) is a significant component of the Group that engages in business activities that are subject to risks and rewards different from those of other segments. The financial information of Group’s operating segments is regularly monitored and evaluated by the Group’s Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segments.

The Group has the following three divisions, which are its reportable segments. These divisions represent the long-term investment strategy of the Fund to achieve the Fund’s strategic transformation programme through vision 2030. The words “Segment” and or “Division” would be used interchangeably within this note.

Reportable segments ("Divisions")	**Operations**
International investments	This Division includes the Fund’s strategic international investments and diversified pool of international investment securities.
Local investments	This Division includes the Fund’s investments in MENA (that engages in the investments in Saudi development and Saudi and MENA equity holdings) and Real Estate investments (that engages in real estate and infrastructure development, Giga projects and Land bank holdings).
Others (Corporate/Treasury)	This Division includes the Fund’s investments in cash equivalents, money-market funds, promissory notes, legacy loans and corporate headquarter assets.

The Group’s CODM reviews the internal management reports of each Division on a periodic basis.

41.2 Information about reportable segments

The main information and measures reported to the CODM for the purposes of making decisions about allocating resources to the Division and assessing its performance include the following:

- Assets Under Ownership of the Fund related to each Division (“AUO” referred in CODM’s submissions by management as AUO); and
- AUO growth by Division.

There are no measures of revenue, expenses and liabilities included in the measures of the segment’s revenue, expenses and liabilities that are used by the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.

AUO is a non-GAAP measure which represents the value determined by the management of the investments in each Division (including subsidiaries, associates and joint ventures). AUO growth measure represents the change in value of the resources determined by the management in respective Division from one period to another.

The measurement principles applied in measuring the information reported to the CODM are not in accordance with the requirements of IFRS. The Group’s special purpose consolidated financial statements are prepared in accordance with basis of preparation (refer to note 2), whilst the measures reported to the CODM apply value of the investments within respective Division as a measure of Division’s AUO and the change in the value of the resources determined by the management of respective Division’s AUO.

41. OPERATING SEGMENTS (continued)

41.2 Information about reportable segments (continued)

Information related to each reportable segment is set out below

2021 *(amounts in billions SAR)*	*Reportable segments*			
	International investments	**Local investments**	**Others**	**Total**
Assets Under Ownership (AUO)	577	1,006	397	**1,980**
AUO Growth	220	296	(80)	**436**

2020 *(amounts in billions SAR)*	*Reportable segments*			
	International investments	**Local investments**	**Others**	**Total**
Assets Under Ownership (AUO)	357	711	476	**1,544**
AUO Growth	183	(117)	270	**336**

41.3 Reconciliations of information on reportable segments to the amounts reported in the special purpose financial statements

	2021 *(in billions SAR)*	***2020*** *(in billions SAR)*
Revenue [(a)]	-	-
Net Profit		
Net profit of the Group as per the special purpose consolidated statement of profit or loss	86	221
Net profit of subsidiaries [(b)]	(22)	(38)
Intra- group transaction eliminations and others	35	30
Net profit of the Fund	99	213
Management re-measurement for CODM [(c)]	337	123
AUO Growth	**436**	**336**
Assets		
Total assets of the Group as per the special purpose consolidated statement of financial position	2,539	2,060
Total assets of subsidiaries [(b)]	(1,287)	(931)
Intra- group assets eliminations and others	139	108
Business combinations and other adjustments	(2)	-
Total assets of the Fund	**1,389**	**1,237**
Management re-measurement for CODM [(c)]	591	307
Assets Under Ownership (AUO)	**1,980**	**1,544**
Liabilities [(d)]	-	-

41. OPERATING SEGMENTS (continued)

41.3 Reconciliations of information on reportable segments to the amounts reported in the financial statements (continued)

(a) There is no measure of revenue that are used by the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.

(b) These represents adjustments to unconsolidate subsidiaries and re-measurement, where required, to arrive at carrying value of assets and net profit of the Fund.

(c) Management re-measurement are adjustments based on the values determined for AUO. Values are determined periodically by the management by using quoted market prices for listed investments and based on various valuation techniques including discounted cash flows, adjusted net assets and broker quotes etc. for unquoted investments.

(d) There is no measure of liabilities reported to the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.

41.4 Geographic information

The geographic information analyses the Group's revenue and non-current assets by the Group's country of domicile (i.e. Saudi Arabia) and other countries. In presenting the geographic information, revenue and non-current assets are based on the location (domicile) of the respective Group entities.

	2021 *(in SAR billions)*	***2020*** *(in SAR billions)*
Revenue		
Saudi Arabia	226	176
All other foreign countries	2	3
Total	**228**	**179**
Non-current assets		
Saudi Arabia	1,115	941
All other foreign countries	25	19
Total	**1,140**	**960**

Non-current assets exclude investment securities and deferred tax assets.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT

The table below set out the Group's classification of each class of financial assets and financial liabilities at the date of statement of financial position:

		2021				
Description	***Notes***	***Derivative financial instruments***	***Measured at FVTPL***	***Measured at FVOCI***	***Measured at amortized cost***	***Total carrying value***
Financial Assets						
Non-derivative financial assets						
Promissory notes	14	-	-	-	222,303	**222,303**
Investment securities	15	-	522,075	173,660	224,430	**920,165**
Other financial assets	16	-	-	-	32,968	**32,968**
Financing and advances	17	-	-	-	535,362	**535,362**
Trade receivables	19	-	2,973	-	51,357	**54,330**
Cash and deposits with banks and financial institutions	18	-	-	-	286,525	**286,525**
Derivative financial assets						
Derivatives	13	9,936	-	-	-	**9,936**
Total Financial Assets		**9,936**	**525,048**	**173,660**	**1,352,945**	**2,061,589**
Financial Liabilities						
Non-derivative financial liabilities						
Loans and borrowings	26	-	7,444	-	241,897	**249,341**
Lease liabilities	27	-	-	-	10,619	**10,619**
Trade and other payables	29	-	-	-	89,706	**89,706**
Customer deposits	30	-	-	-	603,381	**603,381**
Derivative financial liabilities						
Derivatives	13	10,951	5,231	-	-	**16,182**
Total Financial Liabilities		**10,951**	**12,675**	**-**	**945,603**	**969,229**

		2020				
Description	***Notes***	***Derivative financial instruments***	***Measured at FVTPL***	***Measured at FVOCI***	***Measured at amortized cost***	***Total carrying value***
Financial Assets						
Non-derivative financial assets						
Promissory notes	14	-	-	-	235,901	235,901
Investment securities	15	-	405,190	134,362	175,932	715,484
Other financial assets	16	-	-	-	38,551	38,551
Financing and advances	17	-	-	-	382,754	382,754
Trade receivables	19	-	1,456	-	30,309	31,765
Cash and deposits with banks and financial institutions	18	-	-	-	271,740	271,740
Derivative financial assets						
Derivatives	13	9,580	-	-	-	9,580
Total Financial Assets		**9,580**	**406,646**	**134,362**	**1,135,187**	**1,685,775**
Financial Liabilities						
Non-derivative financial liabilities						
Loans and borrowings	26	-	-	-	196,633	196,633
Lease liabilities	27	-	-	-	9,030	9,030
Trade and other payables	29	-	-	-	77,841	77,841
Customer deposits	30	-	-	-	447,223	447,223
Derivative financial liabilities						
Derivatives	13	12,514	-	-	-	12,514
Total Financial Liabilities		**12,514**	**-**	**-**	**730,727**	**743,241**

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to the credit risk through financial assets such as cash and deposits with banks and other financial institutions, financing and advances, debt investment securities, trade receivables, other financial assets, credit-related contingent items, undrawn loan and Murabaha commitments and derivative financial instruments. The Group's exposure to such credit risk is monitored on an ongoing basis by the management of PIF and its subsidiaries. The Group's cash is placed with banks of repute. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular customer, industry or geographical location.

(a) Credit risk management and structure

The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the respective business segments. Standard procedures specific to businesses are set up to manage various risks across different business segments, products and portfolios.

The Group's maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2021	*2020*
Financial Assets		
Non-derivative financial assets		
Promissory notes	222,303	235,901
Investment securities - debt	314,997	243,939
Other financial assets	32,968	38,551
Financing and advances	535,362	382,754
Trade receivables	54,330	31,765
Cash and deposits with banks and other financial institutions	277,993	264,098
Derivative financial assets		
Derivatives	9,936	9,580
Financial assets - Sub-total	**1,447,889**	**1,206,588**
Commitments and guarantees		
Letters of credit	26,416	11,960
Financial guarantees	69,094	44,109
Customer acceptances	4,054	3,135
Undrawn loan commitments	15,074	16,486
Total maximum credit exposure	**1,562,527**	**1,282,278**

(b) Credit risk measurement

The Fund, and the Group's non-banking subsidiaries use either or a combination of general approach and simplified approach to measure credit risk and compute expected credit losses.

For instruments where the general approach is used, the estimation of credit risk for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails making further estimations on the likelihood of defaults occurring and the associated loss ratios. The Group measure ECL using the PD, EAD and LGD.

For the non-banking subsidiaries these parameters are generally derived as follows:

- PDs are generally derived from third party service provider Company Default Risk models, internally developed statistical models and other historical data, and are adjusted to reflect forward-looking information.
- LGD is based on local regulatory guidance due to limited data points to derive an internal model and the nature of the counterparty is considered when assigning a LGD.
- EAD of a financial asset is its gross carrying amount.

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(b) Credit risk measurement (continued)

For instruments where the simplified approach is followed, i.e. trade receivables, retention receivables and contract assets, credit risk is assessed using a provision matrix approach. Under the provision matrix approach, a historical credit loss experience adjusted for forward-looking information is used in estimating ECL.

The expected credit loss is estimated as per approved provisioning policies which consider, in determining the recoverability of a trade receivable, any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting date.

The Group carries periodic reviews of its counterparties, to update their credit worthiness in the light of all actual market available information and historical observed defaults.

(c) Credit risk management

Credit exposures arise principally in credit-related risk that is embedded in financing and advances and debt investments. There is also credit risk in off-balance sheet financial instruments, such as trade-finance related products, derivatives and financing commitments.

For financing and advances and off-balance sheet financing to borrowers, banking subsidiaries assess the probability of default of counterparties using internal and external rating models. For investment securities and off-balance sheet financial instruments held with international counterparties, banking subsidiaries use external ratings by the major rating agencies.

The banking subsidiaries attempt to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Risk management policies of the banking subsidiaries are designed to identify risks and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on a daily basis.

The banking subsidiaries manage the credit exposure relating to its trading activities by monitoring credit limits, entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the banking subsidiaries may also close out transactions or assign them to other counterparties to mitigate credit risk. The banking subsidiaries' credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their contractual obligation and the banking subsidiaries assess counterparties using the same techniques as for its financing activities in order to control the level of credit risk taken.

Concentrations of credit risk may arise in case of sizeable exposure to a single obligor or when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the banking subsidiaries' performance to developments affecting a particular customer, industry or geographical location.

Each individual corporate borrower is rated based on an internally or externally developed rating model that evaluates risk based on financial, qualitative and industry specific inputs. The associated loss estimate norms for each grade have been developed based on the banking subsidiaries' experience. These risk ratings are reviewed on a regular basis.

The banking subsidiaries, in the ordinary course of lending activities, holds collaterals as security to mitigate credit risk in financing and advances. These collaterals mostly include time and other cash deposits, financial guarantees from other banks, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and individual loans and are managed against relevant exposures at their net realizable values. The banking subsidiaries hold real estate collateral against registered mortgage as a collateral financial instruments such as financing and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

The banking subsidiaries manage its credit risk exposure through the diversification of financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. It also takes security when appropriate. The banking subsidiaries also seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant financing and advances. The banking subsidiaries monitor the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement and respective banking subsidiaries' policy.

The following table sets out information about the credit quality of financial assets measured at amortized cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The credit quality is categorized either:

- Investment Grade is composed of Very Strong Credit Quality (AAA to BBB-)
- Non-Investment Grade is composed of: Good, satisfactory and Special Mention Credit Quality (BB+ to C)
- Unrated is not included in the above categories

The banking subsidiaries categorize their financial assets into following three stages in accordance with the IFRS 9 methodology:

- Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD)
- Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.
- Stage 3 – for financial assets that are impaired, the banking subsidiaries recognize the impairment allowance based on life time ECL

	Gross Carrying amount 2021			
	Stage 1	***Stage 2***	***Stage 3***	***POCI***
Due from banks and financial institutions				
Investment grade	132,530	-	-	-
Non-investment grade	6,719	-	-	-
Unrated	2,821	-	-	-
Gross carrying amount	**142,070**	-	-	-
Financing and advances				
Investment grade	84,532	2,375	4	-
Non-investment grade	162,178	15,670	1,119	-
Unrated	265,971	4,584	54	-
Individually impaired	-	-	8,243	2,624
Gross carrying amount	**512,681**	**22,629**	**9,420**	**2,624**
Debt investment securities at amortized cost				
Government Bonds, Sukuk and Treasury Bills	124,372	-	206	-
Investment grade	45,464	1,281	-	-
Non-investment grade	53,401	-	-	-
Gross carrying amount	**223,237**	**1,281**	**206**	**-**
Debt investment securities at FVOCI				
Government Bonds, Sukuk and Treasury Bills	39,311	-	-	-
Investment grade	30,656	868	-	-
Non-investment grade	5,025	670	-	-
Gross carrying amount	**74,992**	**1,538**	**-**	-

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

	Gross Carrying amount 2021		
	Stage 1	*Stage 2*	*Stage 3*
Commitment and contingencies			
Investment grade	33,889	121	-
Non-investment grade	69,172	8,444	1,363
Unrated	9,650	20	4,145
Total	**112,711**	**8,585**	**5,508**

	Gross Carrying amount 2020		
	Stage 1	*Stage 2*	*Stage 3*
Due from banks and financial institutions			
Investment grade	113,790	-	-
Non-investment grade	6,336	-	-
Unrated	1,194	-	-
Gross carrying amount	**121,320**	**-**	**-**
Financing and advances			
Investment grade	74,923	944	-
Non-investment grade	113,346	18,956	-
Unrated	174,450	2,462	29
Individually impaired	-	-	7,491
Gross carrying amount	**362,719**	**22,362**	**7,520**
Debt investment securities at amortized cost			
Government Bonds, Sukuk and Treasury Bills	62,828	-	-
Investment grade	35,858	1,217	-
Non-investment grade	75,641	491	206
Gross carrying amount	**174,327**	**1,708**	**206**
Debt investment securities at FVOCI			
Government Bonds, Sukuk and Treasury Bills	24,754	-	-
Investment grade	25,592	1,149	-
Non-investment grade	6,649	110	-
Gross carrying amount	**56,995**	**1,259**	**-**
Commitment and contingencies			
Investment grade	26,168	188	-
Non-investment grade	31,753	4,275	1,145
Unrated	3,721	71	8,369
Total	**61,642**	**4,534**	**9,514**

During the year ended 31 December 2021, there were purchased or originated credit-impaired ("POCI") financial assets (gross financing and advances) acquired amounting to SAR 2,624 million (2020: SAR nil)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

- **Amounts arising from ECL – Significant Increase in Credit Risk (SICR)**

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the banking subsidiaries consider 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 banking subsidiaries' historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

i) Consideration due to COVID-19

In response to the impacts of COVID-19, various support programs have been offered to the customers either voluntarily by the banking subsidiaries or on account of banking regulator initiatives, such as customers eligible under Deferred Payments Program (refer to Note 48). The IFRS has published document dated 27 March 2020 for the application of IFRS 9 in the light of the coronavirus uncertainty. The document states that the exercise of the deferment option by a customer, in its own, is not considered as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging.

However, as part of the credit evaluation process especially given the current economic situation due to after effects of lock down, further information was obtained from the customers to understand their financial position and ability to repay the amounts and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

ii) Credit risk grades

The banking subsidiaries allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each corporate exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring of exposures involves use of the following data:

- *Corporate exposures*
  1) Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes.
  2) Data from credit reference agencies, press articles, changes in external credit ratings.
  3) Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

- *Retail exposures*
  Internally collected data and customer behaviour – e.g. utilization of credit card facilities.

- All exposures
  1) Payment record – this includes overdue status as well as a range of variables about payment ratios.
  2) Utilization of the granted limit
  3) Requests for and granting of forbearance.
  4) Existing and forecasted changes in business, financial and economic conditions.

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

▪ **Amounts arising from ECL – Significant Increase in Credit Risk (SICR) (continued)**

(iii) Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The banking subsidiaries collect performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used. The banking subsidiaries employ statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors including but not limited to GDP growth, benchmark interest rates and unemployment.

Based on inputs from the in-house economists and consideration of a variety of external actual and forecasted information, a 'base case' view is formulated of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios (see discussion below on incorporation of forward-looking information) which are used to adjust its estimates of PDs.

(iv) Determining whether credit risk has increased significantly
The criteria for determining whether there is a significant increase in credit risk (SICR) since initial recognition, include quantitative changes in PDs and various qualitative factors, including a backstop based on delinquency.

Moreover, information about collaterals or other credit enhancements is considered in assessing changes in credit risk, as well as the impact of the changes in nature, type and value of such collaterals, on the ability and/or economic incentive of a borrower to repay. As such, where available and applicable, these factors have been considered.

Using its expert credit judgment and, where possible, relevant historical experience, the banking subsidiaries may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the banking subsidiaries consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due unless reasonable evidences are present to prove otherwise. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The banking subsidiaries monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

- **Amounts arising from ECL – Significant Increase in Credit Risk (SICR) (continued)**

(v) Modified financial assets

The contractual terms of financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances initially at fair value in accordance with the accounting policy in Note 3.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The banking subsidiaries renegotiate financing and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the banking subsidiaries' forbearance policy, financing and advances forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of financing and advances covenants. Both retail and corporate financing and advances are subject to the forbearance policy.

For financial assets modified as part of the banking subsidiaries' forbearance policy, the estimate of PD reflects whether the modification has improved or restored their ability to collect interest income and principal and the banking subsidiaries' previous experience of similar forbearance action. As part of this process, the banking subsidiaries evaluate the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

(vi) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the banking subsidiaries including principal instalments, interest payments and fees.
- The banking subsidiaries consider that the obligor is unlikely to pay its credit obligations in full, without recourse to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the banking subsidiaries for regulatory capital purposes.

(vii) Incorporation of forward looking information

The banking subsidiaries incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the in-house economists and consideration of a variety of external actual and forecasted information, the banking subsidiaries formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecasted scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the GCC and selected private sector and academic forecasters.

The banking subsidiaries have identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

- **Amounts arising from ECL – Significant Increase in Credit Risk (SICR) (continued)**

(viii) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
1) probability of default (PD);
2) loss given default (LGD);
3) exposure at default (EAD).

These parameters are generally derived from statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The banking subsidiaries estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For financing and advances secured by retail property, Lending to Value (LTV) ratios are a key parameter in determining LGD.

EAD represents the expected exposure in the event of a default. The banking subsidiaries derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

The banking subsidiaries measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the banking subsidiaries consider a longer period. The maximum contractual period extends to the date at which the banking subsidiaries have the right to require repayment of an advance or terminate a financing and advances commitment or guarantee.

However, for overdrafts and credit card facilities that include both financing and advances and an undrawn commitment component, the banking subsidiaries measure ECL over a period longer than the maximum contractual period if the banking subsidiaries' contractual ability to demand repayment and cancel the undrawn commitment does not limit their exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The banking subsidiaries can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the banking subsidiaries become aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the banking subsidiaries expect to take and that serve to mitigate ECL.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

(c) Credit risk management (continued)

▪ **Collateral**

The banking subsidiaries use a wide variety of techniques to reduce credit risk on its lending; one important credit risk mitigation technique is accepting guarantees and collaterals with appropriate coverage. The banking subsidiaries ensure that the collateral held is sufficiently liquid, legally effective and regularly valued. The method and frequency of revaluation depends on the nature of the collateral involved. Types of collateral acceptable to the banking subsidiaries, include time and other cash deposits, financial guarantees, equities, real estate, other fixed assets and salary assignment in case of individuals. The collateral is held mainly against commercial and individual financings and is managed against relevant exposures at its net realizable values. The banking subsidiaries monitor the market value of collaterals, requests additional collaterals in accordance with the underlying agreements. Whenever possible, finances are secured by acceptable forms of collateral in order to mitigate credit risk. The banking subsidiaries' policy is to lend against the cash flow of an operating commercial entity as a first way and primary source of repayment. Collaterals provided by the customer are generally only considered as a secondary source for repayment.

▪ **Trade receivables**

Sales are made to customers on mutually agreed terms. The management of each subsidiary is responsible for determining the creditworthiness of its customers; the credit exposure and the credit ratings of the customers; and the required appropriate collateral to be held as security and financial guarantees.

The table below includes the credit risk analysis for trade receivables and contract assets:

	For the year ended 31 December 2021					
	Not past due	Less than 3 months	3 to 6 months	7 to 12 months	More than 12 months	**Total**
Trade receivables, gross	10,928	11,007	4,200	14,825	17,388	**58,348**
Contract assets, gross	10,355	1,882	225	155	186	**12,803**
Loss allowance	(694)	(555)	(612)	(1,203)	(1,338)	**(4,402)**

42.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings, lease liabilities and customer deposits. The objective of liquidity risk management is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. The Group's exposure to liquidity risk is monitored on an ongoing basis by the respective managements of the Fund and its subsidiaries. The Group manages its liquidity by:

- Setting appropriate liquidity risk management frameworks for short, medium and long-term funding and liquidity management requirements;
- Monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of assets that can be easily liquidated; and
- Maintaining adequate cash reserves and banking facilities.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.2 Liquidity risk (continued)

(a) Analysis of financial liabilities by remaining contractual maturities

The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. Repayments which are subject to notice are treated as if notice were to be given immediately. The following are the maturities of financial liabilities, including interest payments, and certain off-balance sheet commitments and contingencies based on contractual undiscounted repayment obligations, at the reporting date:

	For the year ended 31 December 2021					
	On demand	*Less than 3 months*	*3-12 months*	*1-5 year*	*Over 5 years*	*Total*
Financial liabilities						
Customer deposits	510,371	101,353	51,716	2,081	34	**665,555**
Loans and borrowings	131,595	13,670	12,878	86,174	33,016	**277,333**
Trade and other payables	166	3,915	81,359	3,681	585	**89,706**
Lease liabilities	46	327	2,137	5,460	4,749	**12,719**
Derivative financial instruments (gross amounts payable)	-	83,285	55,863	86,126	20,969	**246,243**
Total	**642,178**	**202,550**	**203,953**	**183,522**	**59,353**	**1,291,556**
Commitments						
Investment commitments	61,236	-	14,158	49,938	-	**125,332**
Commitments and contingencies	1,301	35,996	36,477	22,202	3,588	**99,564**
Capital commitments	4,805	-	17,407	23,412	835	**46,459**
Undrawn loan commitments	298	10,015	1,037	860	2,864	**15,074**
Total	**67,640**	**46,011**	**69,079**	**96,412**	**7,287**	**286,429**

	For the year ended 31 December 2020					
	On demand	*Less than 3 months*	*3-12 months*	*1-5 year*	*Over 5 years*	*Total*
Financial liabilities						
Customer deposits	355,183	86,177	12,554	1,713	25	**455,652**
Loans and borrowings	2,788	45,971	33,728	96,074	34,096	**212,657**
Trade and other payables	101	998	67,409	8,189	1,144	**77,841**
Lease liabilities	-	346	2,078	6,874	5,401	**14,699**
Derivative financial instruments (gross amounts payable)	-	56,253	33,229	48,496	10,093	**148,071**
Total	**358,072**	**189,745**	**148,998**	**161,346**	**50,759**	**908,920**
Commitments						
Investment commitments	143,835	-	-	1,175	-	**145,010**
Commitments and contingencies	1	13,726	30,652	12,998	1,827	**59,204**
Capital commitments	1,108	294	20,552	21,162	44	**43,160**
Undrawn loan commitments	6,111	-	335	4,080	5,960	**16,486**
Total	**151,055**	**14,020**	**51,539**	**39,415**	**7,831**	**263,860**

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Group, even in adverse conditions. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available.

The Group's banking subsidiaries are required to comply with requirements as stipulated by its local banking regulator, including Basel III liquidity ratios, minimum statutory deposit, minimum average demand deposits and certain minimum liquid reserves, in the form of cash, highly liquid Government bonds or assets which can be easily converted into cash.

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. Market risk comprises of three risks - foreign exchange risk, interest rate risk, and price risks (commodity and equity).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

(a) Market risk: Banking operations

The banking subsidiaries separate their exposure to market risk between trading and banking books. Trading book includes positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested to the Board of Directors of the respective banking subsidiaries. The Risk Group within the bank is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors of the respective bank) and for the day-to-day review of their implementation.

▪ **Market risk – trading book**

The principal tool used to measure and control market risk exposure within the trading book of the Group's banking subsidiaries is Value at Risk (VaR). The VaR of a trading position is the estimated loss that will arise on the position over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group's banking subsidiaries is based upon a 99 percent confidence level and assumes a 1-day holding period, except for FVTPL investments which are computed over a 3-month holding period (i.e., VaR is measured daily, except for VaR on FVTPL investments which are computed on a monthly basis), to facilitate the comparison with the trading income (loss) which is also computed and reported on a daily basis. The model computes volatility and correlations using relevant historical market data.

The Group's banking subsidiaries use VaR limits for total market risk embedded in its trading activities including derivatives related to foreign exchange and interest rate. The overall structure of VaR limits is subject to review and approval by the Board of Directors of the Group's banking subsidiaries. VaR limits are allocated to the trading book. The daily reports of utilization of VaR limits are submitted to the senior management of the Group's banking subsidiaries. In addition, regular summaries about various risk measures are submitted to the Risk Committee of the Board of the Group's banking subsidiaries. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within one day horizon. This is considered to be a realistic assumption in most of the cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's banking subsidiaries' position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading book. In addition, the Group's banking subsidiaries use stress tests to model the financial impact of exceptional market scenarios on individual trading book and the Group's overall trading position.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

The table below shows the VaR arises from interest rate, foreign currency exposure and equity exposure held at FVTPL portfolio:

Description	*For the year ended 31 December 2021*			
	Foreign exchange risk	*Interest risk*	*Equity price risk*	*Overall risk*
End of year VaR	11	16	19	**46**
Average VaR	21	30	26	**77**

Description	*For the year ended 31 December 2020*			
	Foreign exchange risk	*Interest risk*	*Equity price risk*	*Overall risk*
End of year VaR	6	7	27	40
Average VaR	8	7	34	49

▪ **Market risk – banking book**
Market risk on banking book positions mainly arises from the interest rate, foreign currency exposures and equity price changes.

***i)* Interest rate risk**
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of the financial instruments.

The Assets and Liabilities Committee (ALCO) of the respective banking subsidiaries manage the interest rate risks in those subsidiaries. The ALCO has established limits on the interest rate gap. Positions are regularly monitored and reported on a regular basis to ALCO and hedging strategies are used to ensure positions are maintained within the established limits. In case of stressed market conditions, the asset-liability gap may be monitored more frequently.

The following table depicts the sensitivity due to reasonably possible changes in interest rates, with other variables held constant, on the Group's consolidated statement of profit or loss or equity. The sensitivity of the income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest-bearing non-trading financial assets and financial liabilities held as at 31 December, including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate fair value through profit or loss, including the effect of any associated hedges, as at 31 December for the effect of assumed changes in interest rates. The sensitivity of equity is analyzed by maturity of the assets or cash flow hedge swaps. All significant banking book exposures are monitored and analyzed in currency concentrations and relevant sensitivities are disclosed in local currency. The sensitivity analysis does not take account of actions by the Group's banking subsidiaries that might be taken to mitigate the effect of such changes.

			2021				
Currency	*Increase / decrease in basis points*	*Sensitivity of interest income*	*Sensitivity of equity*				
			Within 3 months	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
SAR	+/- 10	+/-232	-	-	8	189	**197**
USD	+/- 10	+/-6	-	1	22	154	**177**
GBP	+/- 10	+/-14	-	-	-	-	**-**

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

- **Market risk – banking book (continued)**

***i)* Interest rate risk (continued)**

			For the year ended 31 December 2020				
Currency	***Increase / decrease in basis points***	***Sensitivity of interest income***	***Sensitivity of equity***				
			Within 3 months	***3-12 months***	***1-5 years***	***Over 5 years***	***Total***
SAR	+/- 10	+/- 6,624	-	13	6	89	**108**
USD	+/- 10	+/- 4,434	-	1	28	87	**116**
GBP	+/- 10	+/- 700	-	-	-	-	**-**

The Group's banking subsidiaries manage exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its consolidated financial position. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the assets and liabilities at carrying amounts, categorized by the earlier of the contractual re-pricing or the maturity dates. The Group's banking subsidiaries manage exposure to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group's banking subsidiaries manage this risk by matching the re-pricing of assets and liabilities through risk management strategies.

	For the year ended 31 December 2021					
	Within 3 months	***3-12 months***	***1-5 years***	***Over 5 years***	***Non-interest bearing***	***Total***
Assets						
Financing and advances	145,772	154,633	119,848	109,801	5,308	**535,362**
Investment securities	66,243	29,850	45,319	100,321	19,020	**260,753**
Cash and deposits with banks and other financial institutions	71,587	7,550	41	-	62,889	**142,067**
Derivatives	5,476	1,883	780	84	1,713	**9,936**
Total Assets	**289,078**	**193,916**	**165,988**	**210,206**	**88,930**	**948,118**
Liabilities and equity						
Loans and borrowings	98,592	13,415	27,770	6,721	4,147	**150,645**
Customer deposits	132,165	50,236	450	43	420,487	**603,381**
Derivatives	5,513	3,074	500	86	1,615	**10,788**
Total liabilities and equity	**236,270**	**66,725**	**28,720**	**6,850**	**426,249**	**764,814**
On-balance sheet gap	**52,808**	**127,191**	**137,268**	**203,356**	**(337,319)**	**183,304**
Cumulative interest rate sensitivity gap	**52,808**	**179,999**	**317,267**	**520,623**	**183,304**	

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

▪ **Market risk – banking book (continued)**

i) **Interest rate risk (continued)**

	For the year ended 31 December 2020					
	Within 3 months	***3-12 months***	***1-5 years***	***Over 5 years***	***Non-interest bearing***	***Total***
Assets						
Financing and advances	106,123	125,638	79,329	71,267	397	**382,754**
Investment securities	21,812	6,493	50,557	71,825	10,992	**161,679**
Cash and deposits with banks and other financial institutions	71,840	6,975	1,076	-	41,426	**121,317**
Derivatives	4,328	2,085	718	-	2,225	**9,356**
Total Assets	**204,103**	**141,191**	**131,680**	**143,092**	**55,040**	**675,106**
Liabilities and equity						
Loans and borrowings	69,433	16,326	10,357	370	3,939	**100,425**
Customer deposits	119,005	12,491	378	-	315,326	**447,200**
Derivatives	5,017	3,651	701	-	1,860	**11,229**
Total liabilities and equity	**193,455**	**32,468**	**11,436**	**370**	**321,125**	**558,854**
On-balance sheet gap	**10,648**	**108,723**	**120,244**	**142,722**	**(266,085)**	**116,252**
Cumulative interest rate sensitivity gap	**10,648**	**119,371**	**239,615**	**382,337**	**116,252**	

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally subsequent to the decision taken by global regulators, including the replacement of some interbank offered rates (lBORs) with alternative nearly risk-free rates (RFR) (referred to as 'IBOR reform'). The Group has exposures to lBORs 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 in some jurisdictions that the Group operates in.

The banking subsidiaries anticipate that IBOR reform will impact their risk management and hedge accounting. The banking subsidiaries have established a project to manage the transition for any of its contracts that could be affected. The respective IBOR committees evaluate the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The transition project will include changes to systems, processes and models, as well as managing related tax and accounting implications. It is expected that the areas of significant change will be amendments to the contractual terms of LIBOR-referenced floating-rate debt, derivatives and update of hedge designations.

IBOR reforms exposes the banking subsidiaries to various risks which are managed and monitored closely. Some of the key risks include the following:

- Conduct risk arising on account of discussion with the client for repapering of existing contacts that extends beyond December 2021;
- Financial risk that may transpires at the time of transition to RFR’s; and
- Operational risk on account of changes in the systems, models and process.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

- **Market risk – banking book (continued)**

i) Interest rate risk (continued)

Interest rate benchmark reform (continued)

The table below shows the exposure of the Group's banking entities at the year end to significant IBORs subject to reforms that are yet to transition to risk free rates. These exposures will remain outstanding until the IBOR ceases and will therefore transition to the reference rate in future, e.g., the table excludes exposures to IBOR that will expire before transition is required.

	2021 Non-Derivative Financial Assets	*2021* Non-Derivative Financial Liabilities	*2021* Derivatives Nominal amount
LIBOR	50,878	19,663	367,233
IBOR	-	-	41
Cross currency swaps LIBOR (to IBOR)	-	-	2,123
Total	**50,878**	**19,663**	**369,397**

	2020 Non-Derivative Financial Assets	*2020* Non-Derivative Financial Liabilities	*2020* Derivatives Nominal amount
LIBOR	34,731	10,628	189,385
IBOR	-	-	55
Cross currency swaps LIBOR (to IBOR)	-	-	443
Total	**34,731**	**10,628**	**189,883**

Exposure to interest rate risk

The Group's fixed rate instruments carried at amortized cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings of variable interest rate. The Group's subsidiaries enter into hedging instruments in order to hedge the interest rate risk.

The exposure of the Group's banking subsidiaries' loans and borrowings to interest rate changes at the end of the reporting period are as follows:

	2021 Fixed interest rate	*2021* Variable interest rate	*2021* Total
Liabilities			
Bank borrowings	-	12,142	**12,142**
Bonds and Sukuk payable	11,821	3,895	**15,716**
Total	**11,821**	**16,037**	**27,858**

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

- **Market risk – banking book (continued)**

***i)* Interest rate risk (continued)**

Exposure to interest rate risk (continued)

	2020		
	Fixed interest rate	***Variable interest rate***	***Total***
Liabilities			
Bank borrowings	-	13,580	**13,580**
Bonds and Sukuk payable	2,531	5,953	**8,484**
Total	**2,531**	**19,533**	**22,064**

***ii)* Currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its consolidated financial position and cash flows. The Boards of the banking subsidiaries set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

At the year end, the Group's banking subsidiaries had the following significant net exposures denominated in foreign currencies. A long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

Description	***Long (short)***	
	2021	***2020***
Currency		
USD	**(1,324)**	894
TRY	**1,704**	2,162

The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, including the effect of hedging instruments, on the consolidated statement of income; the effect on equity of foreign currencies other than Turkish Lira (TRY) is not significant. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

	2021		
Currency	***Increase/decrease in currency rate in %***	***Effect on profit before tax***	***Effect on equity***
TRY	+ 10%	27	184
TRY	- 10%	(27)	(184)

	2020		
Currency	***Increase/decrease in currency rate in %***	***Effect on profit before tax***	***Effect on equity***
TRY	+ 10%	24	281
TRY	- 10%	(24)	(281)

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(b) Market risk: Non-banking operations

- **Interest rate risk**
  The Group's trade receivables carried at amortized cost are not subject to interest rate risk, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

  The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings of variable interest rate. The Group's subsidiaries enter into hedging instruments in order to hedge the interest rate risk.

- **Interest rate risk**
  The exposure of the Group's non-banking and financing subsidiaries' loans and borrowings to interest rate changes at the end of the reporting period are as follows:

	2021			
Liabilities	***Fixed interest rate***	***Variable interest rate***	***Interest-free rate***	***Total***
Bank borrowings	950	66,378	-	**67,328**
Loans from government and government related entities	1,880	11,782	703	**14,365**
Bonds and Sukuk payable	4,673	4,839	-	**9,512**
Convertible notes	7,444	-	-	**7,444**
Bank overdraft	**-**	47	**-**	**47**
Total	**14,947**	**83,046**	**703**	**98,696**

	2020			
Liabilities	***Fixed interest rate***	***Variable interest rate***	***Interest-free rate***	***Total***
Bank borrowings	1,505	70,904	-	**72,409**
Loans from government and government related entities	4,970	7,848	700	**13,518**
Bonds and Sukuk payable	4,672	5,398	-	**10,070**
Bank overdraft	**-**	211	**-**	**211**
Total	**11,147**	**84,361**	**700**	**96,208**

The following table illustrates the effect on the profit before tax and equity, at a change of 100 basis points in the interest rate with all other variables held constant for variable rate instruments.

	2021		
	Change in variables	***Effect on profit before tax***	***Effect on equity***
Loans and borrowings	+ 100 basis points	**(485)**	**(971)**
Loans and borrowings	- 100 basis points	**462**	**923**

	2020		
	Change in variables	***Effect on profit before tax***	***Effect on equity***
Loans and borrowings	+ 100 basis points	**(864)**	**(842)**
Loans and borrowings	- 100 basis points	**864**	**842**

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

- **Currency risk**

Currency risk for non-banking subsidiaries arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the subsidiary's functional currency. Foreign currency risk is linked to the change in value in the functional currency due to the difference in the underlying foreign currency of the relevant transaction. The Group's functional currency is the Saudi Riyal, which is pegged to the US Dollar.

The Group's non-banking subsidiaries' exposure to foreign currency risk at the end of the reporting period was as follows:

Currency	*2021 Long (short)*	*2020 Long (short)*
USD	41,300	29,475
EUR	2,154	1,510
GBP	82	145
Others	(1,565)	196

Since bulk of the transactions are either in SAR or USD, the currency risk for the Group's non-banking subsidiaries is insignificant.

- **Commodity price risk**

The Group, through one of its subsidiaries, is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of the mineral products it produces.

The respective subsidiary makes sale of certain gold, by-products, and phosphate and aluminum products on a provisional pricing basis. Revenue and a corresponding receivable from the sale of provisionally priced commodities is recognized when control over the promised goods have been transferred to the customer (which would generally be at a point in time, i.e. the date of delivery) and revenue can be measured reliably. At this date, the amount of revenue and receivable to be recognized will be estimated based on the forward market price of the commodity being sold.

However, the Group faces a risk that future adverse change in commodity prices would result in the reduction of receivable balance. The normal policy is to sell its products at prevailing market prices and the Group does not generally believe commodity price hedging would provide long-term benefit.

All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the respective subsidiary.

Commodity price exposure

The exposure of the Group's trade receivables balance to changes in commodity prices are as follows:

Trade receivables pertaining to:	***2021***	***2020***
Phosphate	**2,568**	1,315
Aluminium	**1,576**	953
Gold	**260**	184
Total	**4,404**	2,452

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

- **Commodity price risk (continued)**

Commodity price sensitivity analysis

The table below shows the impact on profit before zakat and tax and equity for changes in commodity prices. The analysis is based on the assumption that phosphate, aluminum and gold prices move 10% with all other variables held constant.

	2021		
	Change in price	***Effect on profit before zakat and tax***	***Effect on equity***
Phosphate	+ 10%	**181**	181
Aluminium	+ 10%	**471**	471
Gold	+ 10%	**230**	230
Phosphate	- 10%	**(181)**	(181)
Aluminium	- 10%	**(471)**	(471)
Gold	- 10%	**(230)**	(230)

	2020		
	Change in price	***Effect on profit before zakat and tax***	***Effect on equity***
Phosphate	+ 10%	**99**	**99**
Aluminium	+ 10%	**333**	**333**
Gold	+ 10%	**274**	**274**
Phosphate	- 10%	**(99)**	**(99)**
Aluminium	- 10%	**(333)**	**(333)**
Gold	- 10%	**(274)**	**(274)**

Physical commodity contracts

The Group enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognized and measured at cost when the transaction occur.

- **Equity price risk**

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution.

(All amounts in million SAR unless otherwise stated)

42. FINANCIAL RISK MANAGEMENT (continued)

42.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

- **Equity price risk (continued)**

Sensitivity of the equity price risk is determined based on the following assumptions:

Description	*Increase/decrease in currency rate in %*	*Effect on OCI 2021*	*Effect on OCI 2020*
Market index - (Tadawul)			
Impact of changes in market prices	**+ 10%**	**1,877**	1,412
New York Stock Exchange (United States of America)			
Impact of changes in market prices	**+ 10%**	**5,629**	43,824
Frankfurt Stock Exchange (Federal Republic of Germany)			
Impact of changes in market prices	**+ 10%**	**2,274**	7,600
Others			
Impact of changes in market prices	**+ 10%**	**668**	1,800

42.4 Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing.

A framework and methodology has been developed to identify and control the various operational risks. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout the Group's subsidiaries.

42.5 Capital management

The primary objective of the Fund's capital management is to maintain an optimal capital structure in order to manage the Owner and creditors' confidence and sustain the future development of the Fund's operation. The Fund manages its capital structure and adjust it in light of its mandate.

The total equity attributable to the owner of the Group comprises capital contribution, general and other reserves and retained earnings adding up to SAR 1,183,604 million as at 31 December 2020. There were no changes to the Group's objectives, policies or procedures during the year / period ended 31 December 2020.

The Group's banking subsidiaries are regulated by primarily the Saudi Central Bank (SAMA) and the Central Bank of Bahrain (CBB) and their individual banking operations are directly supervised by their local regulators. The banking subsidiaries have adopted the Basel III capital adequacy framework and are required to maintain a prescribed minimum ratio of total regulatory capital to total risk-weighted assets. Accordingly, the consolidated Risk Weighted Assets (RWA), total eligible capital and related ratios on a consolidated basis, for each respective banking subsidiary, are calculated under the Basel III framework and the banking subsidiaries are in compliance with the minimum requirements. The banking subsidiaries complied with all externally imposed capital requirements as at 31 December 2020.

(All amounts in million SAR unless otherwise stated)

43. LIST OF SUBSIDIARIES

	Industry Group	*Ownership interest*	
		31 December 2021	*31 December 2020*
Listed Local Companies			
Saudi Telecom Company (stc) [(a)]	Communication Services	**64.00%**	70.00%
Saudi National Bank (SNB) (formerly National Commercial Bank (NCB)) [(a)] (refer to note 44)	Financials	**37.24%**	44.29%
Saudi Arabian Mining Company (Ma'aden)	Materials	**67.18%**	67.18%
Saudi Tadawul Group Holding Co. (Tadawul) Saudi Tadawul Group Holding Company (formerly Saudi Stock Exchange Company)	Financials	**70.00%**	100.00%
Saudi Real Estate Company (Al Akaria)	Real Estate	**64.58%**	64.58%
Unlisted Local Companies			
Saudi Arabia Investment Company (Sanabil)	Financials	**100.00%**	100.00%
Tahakom Investment Company (Tahakom)	Industrials	**100.00%**	100.00%
King Abdullah Financial District Management & Development Company (KAFD)	Real Estate	**100.00%**	100.00%
Industrialization & Energy Services Company (Taqa)	Energy	**45.79%**	45.79%
Neom Company	Real Estate	**100.00%**	100.00%
Water & Electricity Holding Company (WEHC)	Utilities	**100.00%**	100.00%
Saudi Entertainment Ventures (SEVEN)	Consumer Discretionary	**100.00%**	100.00%
Elm Company (formerly Al Elm Information Security Company) [(b)]	Information Technology	**100.00%**	-
Saudi Agricultural & Livestock Investment Company (SALIC)	Consumer Staples	**100.00%**	100.00%
Saudi Real Estate Refinance Company	Financials	**100.00%**	100.00%
Tatweer Education Holding Company (Tatweer) [(c)]	Consumer Discretionary	**100.00%**	100.00%
National Unified Procurement Company For Medical Supplies (Nupco)	Health Care	**100.00%**	100.00%
Rou'a Al Madinah Company	Real Estate	**100.00%**	100.00%
National Energy Services Company (Tarshid)	Utilities	**100.00%**	100.00%
Saudi Arabian Military Industries Company (SAMI)	Industrials	**100.00%**	100.00%
Saudi Technology Development And Investment Company (Taqnia)	Financials	**100.00%**	100.00%
GDC Middle East	Industrials	**80.00%**	80.00%
Saudi Investment Recycling Company	Industrials	**100.00%**	100.00%

(All amounts in million SAR unless otherwise stated)

43. LIST OF SUBSIDIARIES (continued)

	Industry Group	*Ownership interest*	
		31 December 2021	*31 December 2020*
Unlisted Local Companies (continued)			
POSCO E&C Saudi Arabia (PECSA)	Industrials	**60.00%**	60.00%
The Red Sea Development Company (TRSDC)	Real Estate	**100.00%**	100.00%
Saudi Railway Company	Industrials	**100.00%**	100.00%
Central Arriyadh Development Company	Real Estate	**100.00%**	100.00%
Qiddiyah Investment Company	Real Estate	**100.00%**	100.00%
Roshn Real Estate Company	Real Estate	**100.00%**	100.00%
The Helicopter Company	Industrials	**100.00%**	100.00%
Amaala Company	Real Estate	**100.00%**	100.00%
National Security Services Company	Industrials	**100.00%**	100.00%
Jeddah Central Development Company (formerly New Jeddah Downtown Company)	Real Estate	**100.00%**	100.00%
Red Sea Cruise Company	Consumer Discretionary	**100.00%**	100.00%
Boutique Hospitality Collection Company	Consumer Discretionary	**100.00%**	100.00%
Brand Company (c)	Other Industries	**100.00%**	100.00%
Al-Balad Development Company	Real Estate	**100.00%**	100.00%
Alsoudah Development Company	Real Estate	**100.00%**	100.00%
Center for Governance Company	Other Industries	**100.00%**	100.00%
Diplomatic Quarter Holding Company	Real Estate	**100.00%**	100.00%
Uptown Jeddah Company	Real Estate	**100.00%**	100.00%
Hotel Management Company	Real Estate	**100.00%**	100.00%
Saudi Downtown Company	Real Estate	**100.00%**	100.00%
Sela Sports Company	Consumer Discretionary	**65.00%**	65.00%
Tadawul Real Estate Company (TREC)	Real Estate	**66.56%**	66.56%
Al Madinah Heritage (d)	Consumer Staples	**100.00%**	-
AlWadi Development Company (d)	Real Estate	**100.00%**	-
Aseer Investment Company (d)	Financials	**100.00%**	-

(All amounts in million SAR unless otherwise stated)

43. LIST OF SUBSIDIARIES (continued)

	Industry Group	*Ownership interest*	
		31 December 2021	*31 December 2020*
Unlisted Local Companies (continued)			
Electronic Gaming Infrastructure Company (c), (d)	Communication Services	**100.00%**	-
Halal Development Company (d)	Consumer Staples	**100.00%**	-
Kayanee Company (d)	Consumer Discretionary	**100.00%**	-
National Real Estate Registration Company (d)	Real Estate	**100.00%**	-
Pharmaceutical Investment Company (d)	Health Care	**100.00%**	-
Rua Development Company (d)	Real Estate	**100.00%**	-
Saudi Coffee Company (d)	Consumer Staples	**100.00%**	-
Saudi Company for Artificial Intelligence (d)	Information Technology	**100.00%**	-
Saudi Fund Company for Investments in Egypt (d)	Financials	**100.00%**	-
Saudi Hospitality Company (d)	Consumer Discretionary	**100.00%**	-
Saudi Tourism Investment Company (d)	Consumer Discretionary	**100.00%**	-
The Saudi Electronic Gaming Holding (Savvy) Company (c), (d)	Communication Services	**100.00%**	-
The Saudi Facility Management Company (d)	Real Estate	**100.00%**	-
Aviation Services Company (d)	Industrials	**100.00%**	-
Water Solutions Company (d)	Utilities	**100.00%**	-
Unlisted Foreign Companies			
Gulf International Bank (GIB) – Bahrain	Financials	**97.23%**	97.23%
Saudi Jordanian Investment Fund (SJIF) – Jordan	Financials	**90.00%**	90.00%
LIV Golf Investments Ltd (c), (d) – United Kingdom	Communication Services	**95.50%**	-
Magic Leap, Inc. (d) (refer to note 44) – United States of America	Consumer Discretionary	**54.90%**	-

(All amounts in million SAR unless otherwise stated)

43. LIST OF SUBSIDIARIES (continued)

	Industry Group	*Ownership interest*	
		31 December 2021	*31 December 2020*
Special Purpose Vehicles (SPVs)			
Vision Technology Investment Company	Information Technology	**100.00%**	100.00%
Saudi Third Technology Investment Company	Information Technology	**100.00%**	100.00%
Saudi Second Technology Investment Company	Information Technology	**100.00%**	100.00%
Ayar International Investment Company	Financials	**100.00%**	100.00%
Ayar First Investments Company	Communication Services	**100.00%**	100.00%
The Saudi Company for Gulf Food Investments	Consumer Staples	**100.00%**	100.00%
Saudi International Investment Company	Consumer Discretionary	**100.00%**	100.00%
The Saudi Asian Investment Company	Industrials	**100.00%**	100.00%
Saudi Technology Investment Company	Information Technology	**100.00%**	100.00%
The Saudi United Investment Company	Other Industries	**100.00%**	100.00%
Ayar Second Investment Company	Information Technology	**-**	100.00%
JACI First Investment Company	Information Technology	**100.00%**	100.00%
Digital Media Investment Company	Other Industries	**100.00%**	100.00%
ARCI Holdings LLC	Other Industries	**100.00%**	100.00%
NADE Investment Company LLC	Other Industries	**100.00%**	100.00%
BOFR Investment Company Co. SARL	Real Estate	**100.00%**	100.00%
Talisman Aviation Ltd.	Other Industries	**100.00%**	100.00%
Ayar Third Investment Company	Consumer Discretionary	**100.00%**	100.00%
59 CVT LLC	Real Estate	**100.00%**	100.00%
BIDE Investment Company LLC	Other Industries	**100.00%**	100.00%
Saudi Fifth Technology Investment Company	Information Technology	**100.00%**	100.00%
Saudi First Investment Company	Other Industries	**100.00%**	100.00%
Saudi Fourth Technology Investment Company	Information Technology	**100.00%**	100.00%
Saudi Second Investment Company	Other Industries	**100.00%**	100.00%
The Saudi Third Investment Company	Other Industries	**100.00%**	100.00%
UKSA International LTD	Other Industries	**100.00%**	100.00%

(All amounts in million SAR unless otherwise stated)

43. LIST OF SUBSIDIARIES (continued)

	Industry Group	*Ownership interest*	
		31 December 2021	*31 December 2020*
Special Purpose Vehicles (SPVs) (continued)			
USCI First Investment Company	Other Industries	**100.00%**	100.00%
USSA International LLC	Other Industries	**100.00%**	100.00%
Prisa III Feeder-A LLC	Real Estate	**100.00%**	100.00%
HKSA International Limited	Other Industries	**100.00%**	100.00%
NCUK Investment Limited	Communication Services	**100.00%**	100.00%
The Saudi Fifth Investment Company	Real Estate	**100.00%**	100.00%
The Saudi Fourth Investment Company	Other Industries	**100.00%**	100.00%
The Saudi Seventh Investment Company	Other Industries	**100.00%**	100.00%
The Saudi Sixth Investment Company	Other Industries	**100.00%**	100.00%
GACI First Investment Company	Other Industries	**100.00%**	100.00%
PAUK Investment Limited	Consumer Discretionary	**100.00%**	100.00%
ICDE Investment Company LLC (d)	Other Industries	**100.00%**	-

(a) The ownership percentage for stc and SNB are computed using the PIF owned shares over the issued shares. For the purpose of the Fund's share of net assets of investee, effective ownership percentage is used.

(b) Up and until 25 November 2021, the Group had significant influence on Elm as the Group had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Group. The Government body's representation at the board of directors is more than that of the Fund. However, on 25 November 2021, through the amendment of by-laws, PIF as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November in these special purpose consolidated financial statements.

(c) The financial statement for these companies for fiscal year 2021 are not audited.

(d) These direct subsidiaries represent companies incorporated or acquired during the year.

(All amounts in million SAR unless otherwise stated)

44. BUSINESS COMBINATION

During the year ended 31 December 2021 the Group has entered into the following business combination transactions:

44.1 Merger between Saudi National Bank (formerly known as The National Commercial Bank) (the “Bank”) and Samba Financial Group ("Samba")

On 11 October 2020, the Bank announced that it has entered into a legally binding merger agreement pursuant to which the Bank and Samba Financial Group ("Samba"), a Saudi multinational banking company based in Saudi Arabia, have agreed to take necessary steps to implement merger between the two banks in accordance with the applicable regulations. Subsequently, the Bank and Samba have satisfied the required regulatory approvals and the Merger conditions agreed between the two banks in the Merger agreement as set out in the Shareholder Circular and the Offer Document issued by the Bank with respect to the Merger.

The effective date of above merger was 1 April 2021, pursuant to which Samba ceased to exist and all of its assets and liabilities were transferred to the Bank in exchange for newly issued shares of the Bank by 1,478,000,000 new share. Shares of Samba (2,000,000,000 shares) were cancelled and the new shares of the Bank were issued to the shareholders of Samba, after obtaining necessary regulatory approvals, at a predetermined exchange ratio of 0.739 new share for each Samba share.

The merger will create a pre-eminent financial institution with significant value creation potential for shareholders, customers and employees, structured to finance economic development, support Vision 2030 and facilitate trade and capital flows with the region and the rest of the world. The Bank will benefit from a strengthened competitive position as a superior retail banking franchise and the largest wholesale lender in the Kingdom. With a robust capital base and balance sheet, a balanced universal banking model, and improved liquidity, the Bank will be optimally positioned to compete regionally and locally.

At the date of the above merger, the Group held an investment in “Samba” with an ownership percentage of 22.91% and it was classified as an associate and accounted for using the equity method (refer to note 10). The merger is considered a business combination achieved in stages (step acquisition) and has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the “Standard”) with the Group being the acquirer and Samba being the acquiree. As required by IFRS 3, the Group has completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition.

(a) Fair value of assets acquired and liabilities assumed

The fair value of assets and liabilities recognized as a result of the acquisition are as follows:

	2021
Assets	
Cash and balances with SAMA	30,803
Due from banks and other financial institutions, net	5,340
Positive fair value derivatives, net	5,659
Investments, net	73,545
Financing and advances, net	150,918
Property, equipment and right of use assets, net	2,836
Intangible assets arising from merger	8,916
Other assets	3,248
Total assets	**281,265**

(All amounts in million SAR unless otherwise stated)

44. BUSINESS COMBINATION (continued)

44.1 Merger between Saudi National Bank (formerly known as The National Commercial Bank) (the "Bank") and Samba Financial Group ("Samba") (continued)

(a) Fair value of assets acquired and liabilities assumed (continued)

	2021
Liabilities	
Due to banks and other financial institutions	21,393
Customers' deposits	193,832
Term loan	2,284
Debt securities in issue	5,825
Negative fair value derivatives, net	3,545
Other liabilities	11,620
Total liabilities	**238,499**
Non-controlling interest	(91)
Employees' share based payments plan (transferred to SNB)	(90)
Net assets of "Samba" acquired (A)	**42,585**

(b) Consideration transferred and Goodwill

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	2021
Details	
New equity shares issued	60,499
Fair value of previously held equity interest by the Group	17,983
Total consideration transferred	**78,482**
Samba treasury shares (converted to SNB treasury shares)	(1,890)
Net consideration transferred (B)	**76,592**
Goodwill recognized (B) – (A)	**34,007**

The fair value of the shares issued was determined on the basis of closing market price of the Bank's ordinary share on the Saudi stock exchange, on the last trading date prior to the date of acquisition date of 1 April 2021 of SAR 53.1 per share.

The fair value of previously held equity interest by the Group was determined based on number of shares held by the Group in "Samba" prior to the date of acquisition valued at the closing market price stated above.

(c) Gain on deemed disposal of "Samba"

The following table summarizes the amount of gain recognized on acquisition date as a result of the merger transaction:

	2021
Details	
Fair value of previously held equity interest in "Samba"	17,983
Carrying value of previously held equity interest in "Samba"	(10,709)
	7,274
Amount of other comprehensive income recycled to profit or loss	159
Total gain	**7,433**

The gain was recognized in the consolidated statement of profit and loss within "Other operating income, net".

(All amounts in million SAR unless otherwise stated)

44. BUSINESS COMBINATION (continued)

44.1 Merger between Saudi National Bank (formerly known as The National Commercial Bank) (the "Bank") and Samba Financial Group ("Samba") (continued)

(d) Measurement of fair values

The Group has completed a comprehensive purchase price allocation finalizing valuation adjustments to the following:

- Recognition of identified intangible assets including core deposits and other customer relationships;
- Financing and advances;
- Properties and equipment;
- Contingent liabilities;
- Other recognized financial and non-financial assets and liabilities.

The goodwill is primarily attributable to the expected future earnings of the acquired business and cost synergies created.

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- **Customer relationship - Purchase Credit Card Receivable and other relationships**

The Group has estimated the value of Purchase Credit Card Receivable ("PCCR") using an income approach, specifically the Multi-period Excess Earnings Method ("MEEM"), which is a commonly accepted method for valuing customer relationships.

The Group has valued customer relationships for the Asset Management, Brokerage and Corporate Advisory business as a separate intangible asset due to the difference in nature between customer relationships formed through each of these segments.

- **Core deposit intangible**

The Group has adopted the discounted cost savings method, a form of the income approach, in valuation of the core deposit intangible on the difference between the cost of the Bank's core deposits (both special commission and servicing costs net of fee and commission income) and the cost of the Bank's alternative source of funds. The value of the core deposit intangible is the difference between the present value of the current source of funds and the alternate funding source. The analysis has considered demand, savings and time deposits. The assumed attrition and special commission rates and assumptions for fees and commissions are based on a historical analysis of deposit balances from existing customers.

- **Brand/trademark**

The Group has followed Relief-from-Royalty approach, a form of income approach, to value Samba's brand.

- **Acquired receivables**

The fair value of each class of acquired receivables, the gross contractual amount and the best estimate of the contractual cash flows not expected to be collected are as follows:

	2021		
	Fair value of the acquired receivables	Gross contractual amount of receivables	The contractual cash flows not expected to be collected
Due from banks and other financial institutions	5,339	5,339	
Investments	70,445	70,785	340
Financing and advances	150,918	157,518	6,600
Total	**226,702**	**233,642**	**6,940**

In addition, non-receivable assets and liabilities were subject to fair value adjustments, such as property and equipment.

(All amounts in million SAR unless otherwise stated)

44. BUSINESS COMBINATION (continued)

44.1 Merger between Saudi National Bank (formerly known as The National Commercial Bank) (the "Bank") and Samba Financial Group ("Samba") (continued)

(e) Merger-related costs

Merger related costs for the period ended 31 December 2021 was SAR 163 million (year ended 31 December 2020: SAR 70) charged to the consolidated statement of profit or loss. These were not directly attributable to the issue of shares and are included in "Other general and administrative expenses" in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows.

44.2 Merger between Churchill Capital Corp IV (formerly known as Annetta Acquisition Corp) ("Churchill") and Atieva, Inc. (a subsidiary of Ayar Third Investment Company)

On February 22, 2021, Churchill Capital Corp IV ("Churchill") entered into a definitive merger agreement (the "Merger Agreement") with Atieva, Inc. ("Legacy Lucid") in which Legacy Lucid would become a wholly owned subsidiary of Churchill (the "Merger"). Upon the closing of the Merger on July 23, 2021 (the "Closing"), Churchill was immediately renamed to "Lucid Group, Inc." ("Lucid").

After giving effect to the Merger and the redemption of Churchill shares, the number of shares of common stock issued and outstanding immediately following the consummation of the Merger were as follows:

	Shares
Churchill public shares, prior to redemptions	207,000,000
Less redemption of Churchill shares	(21,644)
Churchill public shares, net of redemptions	206,978,356
Churchill Sponsor shares	51,750,000
PIPE shares	166,666,667
Total shares of Churchill common stock outstanding immediately prior to the Merger	425,395,023
Legacy Lucid shares	1,193,226,511
Total shares of Lucid common stock outstanding immediately after the Merger	**1,618,621,534**

The Merger between Churchill and Legacy Lucid was accounted as a capital reorganization. Churchill was treated as the acquired company. The net assets of Churchill were recognized as of the Closing at historical cost, with no goodwill or other intangible assets recorded. The Merger is also reflected by recording the instruments issued at fair value at the date of the merger in exchange for the net assets of Churchill. Operations prior to the Merger are presented as those of Legacy Lucid and the accumulated deficit of Legacy Lucid has been carried forward after Closing.

The excess of the fair value of the equity instruments issued over the fair value of the identified net assets received, represents a non-cash expense. This one-time expense as a result of the Merger, in the amount of US $5,575 million (equivalent to SAR 20,900 million), is recognised as a share listing expense presented as part of the financial result within the Consolidated Statement of Profit or Loss. Transaction costs amounting to US $22 million (equivalent to SAR 82 million) related to the Merger have been recognized in addition to the share listing expense.

Description	**Price (US $)**	**Number of shares/warrants**	**Amount (US $)**	**Amount (SAR)**
Ordinary Churchill shares exchanged	24.25	258,728,356	6,274	23,528
Churchill Private Placement Warrants exchanged	17.92 – 18.44	44,350,000	812	3,045
Churchill Public Warrants exchanged	11.74	41,400,000	486	1,823
Total fair value of consideration transferred by Lucid			**7,572**	**28,396**
Churchill's identifiable net assets			(1,997)	(7,488)
Merger charge/Listing fees			**5,575**	**20,908**

44. BUSINESS COMBINATION (continued)

44.2 Merger between Churchill Capital Corp IV (formerly known as Annetta Acquisition Corp) ("Churchill") and Atieva, Inc. (a subsidiary of Ayar Third Investment Company) (continued)

The charge represented the listing services fee that Lucid paid to Churchill as a result of the Merger and in obtaining the listing status of Churchill. The acquired net assets exclude the Public Warrant and Private Placement Warrant liabilities, as the warrants were exchanged for Lucid Warrants and therefore do not represent a liability assumed, but are rather included in the calculation of the consideration transferred.

44.3 Other business combinations

During the year ended 31 December 2021, the Group has accounted for the below acquisitions:

(a) Other business combinations through Public Investment Fund "PIF"

On 25 August 2021, PIF has acquired 53.61% equity interest in Magic Leap. Inc. ("Magic Leap", "ML", or the "Company") for a total consideration of SAR 3,047 million (US $813 million). PIF's share of fair value of assets and liabilities acquired amounted to SAR 1,145 million (US $305 million) and SAR 838 million (US $223 million), respectively, resulting in a goodwill of SAR 2,740 million (US $731 million) recognized in the consolidated statement of financial position. The fair value of assets acquired includes intangible assets of SAR 865 million (US $231 million)

The total consideration comprises of a cash injection of SAR 656 million (US $175 million) and conversion of convertible notes into equity amounting to SAR 2,391 million (US $638 million).

Magic Leap, Inc., a Delaware C-Corporation incorporated in 2011, has developed next generation wearable hardware that utilizes proprietary technology that provides digital content in a real world setting. The Company has also developed a set of core applications and a software platform for that hardware. The Company is headquartered in Plantation, Florida.

(b) Other business combinations through Group's subsidiaries

- On February 23, 2021, SAMI has acquired 100% shareholding of the Advanced Electronics Company for a total consideration of SAR 2,208 million. The fair values of the net assets of the company at the date of acquisition were SAR 1,140 million resulting in a goodwill of SR 1,068 million recognized in the consolidated statement of financial position.

  Advanced Electronics Company is a limited liability company registered in the Kingdom of Saudi Arabia. The objectives of the company are to engage in the design and manufacture of sophisticated electronic products and systems, to provide spares, training, data and services in connection with the foregoing, to provide logistic support services for avionics equipment, to provide electronic equipment test and repair services and to market these products and services.

- On 7 October 2021, NCUK Investment Limited ("NCUK") acquired 80% of the equity interest in Newcastle United Limited ("Newcastle" or "NUFC") for a total consideration of SAR 1,398 million (GBP 276 million). NCUK's share of provisional fair value of assets and liabilities acquired amounted to SAR 1,490 million (GBP 294 million) and SAR 496 million (GBP 98 million), respectively, resulting in a provisional goodwill of SAR 404 million (GBP 80 million) recognized in the consolidated statement of financial position.

  Newcastle United Limited is a company incorporated in the United Kingdom. The principal activities of the company were the operation of a professional football club together with related and ancillary activities.

  The net assets recognised in the 31 December 2021 financial statements were based on a provisional assessment of their fair value while the Group sought an independent valuation of net assets.

For both, ML and NUFC acquisitions, the Group has elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

(All amounts in million SAR unless otherwise stated)

44. BUSINESS COMBINATION (continued)

44.4 Business combinations under common control

During the year ended 31 December 2021, the Group has accounted for the below acquisitions as business combination under common control:

(a) Elm Company (formerly known as Al Elm Information Security Company) ("ELM")

Up and until 25 November 2021, the Group had significant influence on Elm as the Group had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Fund. The Government body's representation at the board of directors is more than that of the Fund. However, on 25 November 2021, through the amendment of by-laws, PIF as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November in these consolidated financial statements with total assets value of SAR 4,985 million at the date of classification.

(b) Saudi Railway Company ("SAR")

Based on Royal decree no. 375 dated 4/07/1442H certain projects and assets under (Saudi Rail Organization ("SRO")) were transferred to Saudi Railway Company as on 1 April 2021. This was in continuation to the Council of Minsters Resolution No. 381 dated 8 Ramadhan l437H (corresponding to 13 June 2016) based on which the SAR shall be the owner of all railway infrastructure projects interlinking cities in the Kingdom of Saudi Arabia. Given the transfer of operations of SRO alongside its assets, these were therefore recognised as a result of business combination representing common control transactions at their respective carrying values. As no consideration has been paid by SAR for this transaction therefore the transferred values have been recognised as additional capital contribution from Owner.

As a result, the following assets were transferred to SAR during the year ended 3l December 2021:

Assets	***2021***
Property, plant and equipment	3,119
Investment properties	2,637
Deposit with Central Bank	214
Inventories	391
Total assets	**6,361**

(c) Saudi Agriculture and Livestock Investment Company (SALIC)

During the year ended 31 December 2021, Public Investment Fund (PIF) transferred its investments in National Agricultural Development Company ("NADEC") and Saudi Fisheries Company to SALIC in support for SALIC's mission as the Group's arm in the food and agriculture sector. The transfer took place using the predecessor approach of accounting, in which the investment was transferred to SALIC at their carrying value in PIF's books at the effective date of transfer, amounting to SAR 718 million.

(d) Merger of SNB Capital Company (formerly known as NCB Capital) and Samba Capital

Pursuant to merger agreement executed between the Bank and Samba (refer to note 44.1), the Board of the Directors of SNB Capital Company ("SNBC") (a subsidiary of the Bank), on February 4, 2021, resolved for the Company to consider and pursue merger discussions with Samba Capital & Investment Management Company ("Samba Capital"). All the requisite legal and regulatory formalities in this regard were completed on July 09, 2021, which represents the effective date of the merger between SNBC and Samba Capital and pursuant to which Samba Capital ceased to exist and all of its assets and liabilities were transferred to SNBC. Prior to the merger, SAMBA Capital was a subsidiary of the Bank as a result of its merger with Samba. Since this merger represents a business combination transaction under common control and SNBC has opted, as an accounting policy, to apply the book value method of accounting therefore, it did not have an impact on Group's consolidated financial statements. Moreover, subsequent to the merger the name of NCB Capital Company has been changed to SNB Capital. Pursuant to foregoing, SNB Capital also acquired two special purpose entities namely Samba US Logistics Fund L.P., an exempted limited partnership, registered on 9 September 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on 7 July 2020 which were subsidiaries of SAMBA Capital prior to the merger. These entities are governed under the laws of Cayman Island and are formed for the purpose of holding and managing principal investments.

(All amounts in million SAR unless otherwise stated)

45. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group considers its investment in SoftBank Vision Fund L.P (the "SoftBank Fund") to be investment in unconsolidated structured entity.

The SoftBank Fund is managed by unrelated investment manager i.e. Fund Manager and apply various investment strategies to accomplish the investment objectives. The SoftBank Fund finances its operations by offering a limited partnership which entitles the holder to a proportional stake in its net assets. The Group holds limited partnership interest in the SoftBank Fund.

Below is the description of the Group's involvements in unconsolidated structured entity by type:

(a) SoftBank Fund managed by third party

The Group invests in the SoftBank Fund, which is managed by third party and holds and manages variety of financial assets. The Group's involvement predominantly is through a limited partnership in the SoftBank Fund.

(b) Classification of investment in SoftBank Fund

The Group assesses the classification of its interest in SoftBank Fund to determine whether in accordance with the terms of the investment agreement the Group has control or significant influence over the SoftBank Fund.

The assessment of 'control' requires the Group to evaluate whether the Group has the power to direct the financial and operational policies of the SoftBank Fund, is exposed to and has rights to variable returns from the SoftBank Fund and also has the ability to affect those returns through its power over the SoftBank Fund.

The assessment of 'significant influence' requires the Group to evaluate whether the Group has the power to participate in the financial and operational policies of the SoftBank Fund, but no control or joint control.

Based on the assessment performed, the Group does not have control or significant influence over the SoftBank Fund; accordingly, the Group has classified its investment in the SoftBank Fund at fair value through profit or loss and amortized cost in accordance with the requirements of IFRS 9 'Financial Instruments'.

In reaching this conclusion, following are some of the key factors identified as part of the Group's investment in the SoftBank Fund:

- the Group is the limited partner;
- the General Partner has the right to make and amend the financial and operating policies; and
- limited or no right of the Group to remove general partner from the position of SoftBank Fund Manager.

The table below summarizes the structured entities the Group has interest in:

Type of structured entity	**Nature**	**Purpose**	**Interest held by the Group**
Limited Partnership	Manage Limited Partners' funds through the investment in assets	To provide Limited Partners with a return by means of medium to long-term capital growth	Investment in units issued by the SoftBank Fund

The table below presents the Group's interests in and maximum exposure to loss from the Group's interest in unconsolidated structured entities as at year ended 31 December:

Classification in special purpose Consolidated financial statements	**Amount**		**Maximum exposure to loss**	
	2021	***2020***	***2021***	***2020***
Investment securities	130,411	144,159	130,411	144,159

During the year, interest income amounting to SAR 4,369 million (2020: SAR 4,759 million) was earned from investment securities measured at amortised cost and net gain of SAR 14,799 million (2020: SAR 18,904 million) was recognised from investment securities measured at FVTPL.

The Group has additional investment commitments amounting to SAR 21,400 million (2020: 25,500 million) for SoftBank Fund.

(All amounts in million SAR unless otherwise stated)

46. FAIR VALUES

The fair value of the financial assets and liabilities is reported at the amount 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.

46.1 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the special purpose consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) 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; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(a) Assets measured at fair value on a recurring basis

		2021			
		Level 1	***Level 2***	***Level 3***	***Total***
i)	***Derivative financial assets***				
	Derivatives held for trading	-	9,731	-	**9,731**
	Derivatives held as cash flow hedges	-	111	-	**111**
	Derivatives held for fair value hedges	-	94	-	**94**
	Derivatives – Total	**-**	**9,936**	**-**	**9,936**
ii)	***Financial assets measured at fair value through profit or loss***				
	Equity and mutual funds	82,927	162	30,313	**113,402**
	Fixed rate debt securities	512	2,179	11,215	**13,906**
	Floating rates securities	-	131	-	**131**
	Mutual Funds, Hedge Funds and Others (Structured investments)	16,828	177,815	199,993	**394,636**
	Financial assets measured at fair value through profit or loss - Total	**100,267**	**180,287**	**241,521**	**522,075**
iii)	***Financial instruments at fair value through OCI***				
	Equity	68,382	127	28,621	**97,130**
	Fixed rate debt securities (net)	37,383	23,636	-	**61,019**
	Floating rate debt securities	6,633	8,878	-	**15,511**
	Financial instruments at fair value through OCI - Total	**112,398**	**32,641**	**28,621**	**173,660**
iv)	***Trade receivables carried at fair value*** (1)	**-**	**2,973**	**-**	**2,973**
v)	***Other financial assets*** (2)	**106**	**4,499**	**-**	**4,605**
	Total assets measured at fair value on a recurring basis	**212,771**	**230,336**	**270,142**	**713,249**

(All amounts in million SAR unless otherwise stated)

46. FAIR VALUES (continued)

46.1 Fair value hierarchy (continued)

(a) Assets measured at fair value on a recurring basis (continued)

		2020			
		Level 1	*Level 2*	*Level 3*	*Total*
i)	***Derivative financial assets***				
	Derivatives held for trading	-	9,329	-	9,329
	Derivatives held as cash flow hedges	-	178	-	178
	Derivatives held for fair value hedges	-	73	-	73
	Derivatives – Total	**-**	**9,580**	**-**	**9,580**
ii)	***Financial assets measured at fair value through profit or loss***				
	Equity and mutual funds	76,295	167,766	151,376	395,437
	Fixed rate debt securities	764	8,028	961	9,753
	Financial assets measured at fair value through profit or loss - Total	**77,059**	**175,794**	**152,337**	**405,190**

		2020			
		Level 1	*Level 2*	*Level 3*	*Total*
iii)	***Financial instruments at fair value through OCI***				
	Equity	56,178	93	19,837	76,108
	Fixed rate debt securities (net)	41,841	728	-	42,569
	Floating rate debt securities	8,385	7,300	-	15,685
	Financial instruments at fair value through OCI - Total	**106,404**	**8,121**	**19,837**	**134,362**
iv)	***Trade receivables carried at fair value*** (1)	**-**	**1,456**	**-**	**1,456**
	Total assets measured at fair value on a recurring basis	**183,463**	**194,951**	**172,174**	**550,588**

(1) Refer to note 19.

(2) Include investments which are held under a fair value hedge relationship classified as investments held at amortised cost amounting to SAR 4,491 million (2020: SAR 4,145 million). As at 31 December 2021, the fair value of these investments amounts to SAR 4,441 million (2020: SAR 4,976 million). It also include certificates of deposit and commercial paper held with cash and deposits with banks measured at fair value amounting to SAR 58 million (2020: nil).

(b) Liabilities measured at fair value on a recurring basis

		2021			
		Level 1	*Level 2*	*Level 3*	*Total*
i)	***Derivative financial liabilities***				
	Derivatives held for trading	-	8,761	5,231	**13,992**
	Derivatives held as cash flow hedges	-	327	4	**331**
	Derivatives held for fair value hedges	-	1,859	-	**1,859**
	Derivatives – Total	**-**	**10,947**	**5,235**	**16,182**
	Total liabilities measured at fair value on a recurring basis	**-**	**10,947**	**5,235**	**16,182**

(All amounts in million SAR unless otherwise stated)

46. FAIR VALUES (continued)

46.2 Fair value hierarchy (continued)

(b) Liabilities measured at fair value on a recurring basis (continued)

		2020			
		Level 1	***Level 2***	***Level 3***	***Total***
i)	***Derivative financial liabilities***				
	Derivatives held for trading	-	8,588	-	8,588
	Derivatives held as cash flow hedges	-	453	15	468
	Derivatives held for fair value hedges	-	3,458	-	3,458
	Derivatives – Total	**-**	**12,499**	**15**	**12,514**
	Total liabilities measured at fair value on a recurring basis	**-**	**12,499**	**15**	**12,514**

For those other assets and liabilities for which fair value is disclosed, please refer to the respective notes for fair value information. There have been no transfers between Level 1 and Level 2 during the year.

46.3 Reconciliation of opening and closing amounts of financial instruments classified within level 3

	2021		
Description	***Financial assets designated at fair value through profit or loss (Assets)***	***Financial assets at fair value through OCI (Assets)***	***Derivative financial liabilities (Liabilities)***
As at 1 January	152,337	19,837	15
Purchase	65,174	6,829	-
Sales	(21,410)	(95)	-
Issuance	-	-	3,045
Settlements	(172)	-	-
Transfers into Level 3	-	-	-
Transfer from Level 3	-	(1,832)	-
Acquired through business combination	2,082	88	-
Total gain or losses:			
In statement of profit or loss	37,948	-	1,857
In Other comprehensive income	-	3,719	(11)
Exchange rate differences	(107)	-	-
Other movement	5,669	75	329
At 31 December	**241,521**	**28,621**	**5,235**

	2020		
Description	***Financial assets designated at fair value through profit or loss (Assets)***	***Financial assets at fair value through OCI (Assets)***	***Derivative financial liabilities (Liabilities)***
As at 1 January (unaudited)	93,240	9,193	13
Purchase	43,685	10,637	-
Sales	(7,446)	(58)	-
Settlements	(724)	-	-
Transfers into Level 3	-	14	-
Transfer from Level 3	(30)	(52)	-
Total gain or losses:			
In statement of profit or loss	23,612	14	-
In Other comprehensive income	-	89	2
At 31 December	**152,337**	**19,837**	**15**

46. FAIR VALUES (continued)

46.4 Method and assumptions used

(a) Bonds and Sukuk

The fair value of bonds and Sukuk is estimated using discounted cash flow techniques, applying the rates that are offered for bonds and Sukuk of similar ratings, maturities and terms. Fair value of all these assets are valued based on level 2 of fair value hierarchy where inputs are observable. For instruments where inputs are not observable, these are classified under level 3.

(b) Unquoted equities

Unquoted equities are initially recognized at transaction price and re-measured (to the extent information is available) and valued on a case-by-case and classified as level 3. Management has used commonly used valuation approaches including income, market, cost and adjusted net asset value approach to determine the fair value of unlisted equities. Income approach is used for companies with ongoing business operations and where approved prospective financial information is available. The discounted cash flow model is used to determine fair value based on income approach.

Market approach is considered when wide range of listed companies within the participating industry with same objective as unlisted equities are available. The Group considers various criteria to identify the comparable companies that include but not limited to similar industry, size and nature of operations.

Adjusted Net Asset Value approach (ANAV) is used when income or market approach cannot be applied. ANAV is based on the company's net book value (total assets and total liabilities) applying any relevant and applicable discount for control (DLOC) and marketability (DLOM).

(c) Quoted equities

The fair values of the quoted equities are based on price quotations at the reporting date.

(d) Managed funds and similar securities

The fair values of the quoted managed funds are based on price quotations at the reporting date. The fair value of unquoted funds is estimated by using Net Assets Value (NAV) per share received from fund's administrators/investment managers. Fair values are based on either level 2 or level 3 of fair value hierarchy, where the mandate of the investments manager is to invest in quoted equities, those investment funds and investment securities are categorized as level 2, all others are categorized as level 3.

Significant unobservable inputs embedded in the models used by the fund managers/administrators include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For assets and liabilities that are recognized in the special purpose 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Unquoted debt securities and derivative financial instruments

The Group obtains fair value estimates from reputable third party valuers, who use techniques such as discounted cash flows, option pricing models and other sophisticated models

(All amounts in million SAR unless otherwise stated)

46. FAIR VALUES (continued)

46.5 Significant un-observable inputs in level 3 instrument valuations

Financial instrument	***Valuation technique***	***Unobservable input***	***Range (weighted average)***	
			2021	***2020***
Unquoted equities	Discounted cash flows	Discount rate	10.8% - 14%	5.59% - 60%
		Long term growth rate	2.2% - 4.0%	n/a
		DLOM	n/a	32%
		Terminal value multiple	n/a	11x to 16x
	Market approach	EV/ LTM EBITDA multiple	21.4x – 49.9x	n/a
		DLOM	n/a	13.1%
Managed funds and similar securities	Net assets value	Underlying valuations performed by the investment manager	n/a	n/a
Convertible notes	Binominal option pricing model	Price volatility of the underlying asset	29.2% - 37.6%	n/a
		Credit spread	561 – 1,282 bps	n/a
	Discounted cash flows	Discount rate	n/a	12.8% - 60%
		DLOM	n/a	32%
Investment properties	Market approach	Adopted Sales Rate	105 – 4,200 SAR/sqm	n/a
	Discounted cash flows	Discount rate	7.8% - 14.5%	2.8% - 60%

Significant unobservable inputs were applied in the valuation of managed funds and unquoted equities for the year ended 31 December 2021 and the impact of the sensitivity is not material.

For other financial instruments such as cash and deposits with banks and other financial institutions, trade receivables, other assets, and trade and other payables, the fair values approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits, bonds and Sukuk, loans and borrowings, promissory note and debt securities issued at 31 December 2021, 31 December 2020 are not materially different from their respective carrying values included in the special purpose consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions.

The fair value of Group’s financing and advances as at 31 December 2021 on a business as usual basis applying the guidance of IFRS 13 was approximately 0.6% (2020: 3%) higher than the corresponding carrying value.

There were no transfers between level 1 and level 2 during 31 December 2021 (31 December 2020: Nil)

46. FAIR VALUES (continued)

46.6 Fair value determination and disclosure of Land

Land is categorized for disclosure purposes to determine whether it should be disclosed at nominal value or fair value. The objective is to ensure that the disclosure reflects the most reliable and relevant measurement of each land.

Category	***Description***	***Fair value or Nominal value disclosure***
Reliable	Land which can be reliably valued and is: a) Property for which there is an Active Market for the current use, or b) Development of a land where there are no material matters to be resolved before the development can be completed in accordance with the Master Plan and where there is an Active Market for the completed development, or c) Land held for an Intended Use which will provide social or political benefits but for which there is no Active Market and which is expected to be held for that purpose for the foreseeable future.	Fair value
Not Reliable	Land which cannot be reliably valued and is: a) Land acquired for long term strategic improvement or for social or political objectives but for which there is not currently a Master Plan approved or under preparation, and for which there is no Active Market, or b) Land where the potential for a future beneficial use has been identified but there remains significant uncertainty as to whether this will be physically possible, economically feasible and legally permissible.	Nominal value
Undetermined	This category is for land, which does not meet the criteria for inclusion in either Category A (Reliable) or B (Not Reliable). Examples that will fall into this Category include: a) Property for which a Master Plan is still at an early stage of development but that is in a location where there is an Active Market, i.e. market participants would perceive that Economic Benefits could be obtained regardless of the details of the permitted or Intended Use b) Property for which a Master Plan is being prepared but where the exact scale, use and timing of the different elements of that plan are still to be resolved c) Property for which a Master Plan is at an advanced stage of preparation and can reasonably be expected to be approved but where some material details need to be confirmed, or investigations completed All properties in Category "Undetermined" requires further analysis by an external valuer to determine whether it is capable of reliable valuation.	If capable of reliable valuation it is disclosed at fair value. If not, it is reported at nominal value

The fair value of the investment properties is determined based on a market approach (comparable land sales) and an income approach (discounted cash flow or residual value analysis based on a development masterplan or land subdivision).

The market value of the investment properties is assessed and reported in accordance with the International Valuation Standards (IVS) as published by the International Valuation Standards Council (IVSC). The valuation of individual holdings is based on the specific circumstances and facts pertaining to the property and utilizes a market approach (comparable lands sales) and/or an income approach (residual land value approach). Special assumptions were considered in the valuation of certain lands which are detailed in note 9.

46. FAIR VALUES (continued)

46.6 Fair value determination and disclosure of Land (continued)

Market approach

The market approach derives the value of the Property by comparing it to other properties for which the price is known. Ideally, the property is compared and contrasted to identical properties which have recently been sold, or where no recent transactions have taken place, the asking (quoting) price at which the comparable properties, in proximity to the asset being valued are currently listed for sale. Adjustments may be required to reflect the period of time that has passed between the transaction date and the date of valuation or the price that is expected to be achieved following a negotiated sale. Following an analysis on the terms of the sale, an appropriate unit of comparison is chosen, for example, a rate per square meter of land/buildings. Further subsequent adjustments may be required to factor in differences in location, size (quantum), quality and specification, condition, permitted use, etc. and any instructions received which are specific to the assignment. Additional sources may be used such as Ministry of Justice data, General Authority for Statistics Index, etc.

Income approach (residual method)

The residual valuation method may be based on either a static model or discounted cash flow approach. In each instance, this method entails estimating the gross realisation from the sale of the proposed development, which may be carried out using the comparable or investment or profits methods. From this is deducted the current estimated cost to develop the project including a developer's margin to arrive at a resultant residual value. In summary, the valuation approach is: gross development value minus [outstanding development costs and developers margin] equals residual value.

The residual cash flow approach takes into account the time value of money concept where future cash flows are discounted at a market-based target rate of return that takes into account the risk factors for each asset. The residual method is very sensitive and even a minor change in the inputs can have a significant impact on the reported value.

In some instances, due to the size of land assets and lack of comparable evidence, the residual method of valuation is preferred on the basis of a hypothetical sub-division and sale of serviced smaller plots over a period of time based on comparable evidence.

47. SUBSEQUENT EVENTS

The following are the events which occurred subsequent to 31 December 2021:

(a) During 2022, the Fund received cash contribution from the Owner amounting to SAR 5,000million.

(b) Elm (a subsidiary of the Fund) has listed its shared on Saudi Stock Exchange on 16 February 2022. Elm has floated 24,000,000 shares, representing 30% of its issued share capital with final allocations of 70% to institutional investors and 30% to individual investors, generating SAR 2,150 million and SAR 922 million respectively. A further 2,400,000 shares, representing 3% of its issued capital was purchased by Elm based on the offer price to be used in the employee share program.

(c) On 13 February 2022, the Owner transferred 8,000 million shares of Aramco to the Group which represents 4% ownership and has a fair value of SAR 296,400 million.

(d) During 2022, a portion of Aramco Promissory Notes which will mature between 7 April 2024 to 7 April 2026, having a total face value of SAR 75,000 million was paid early by Aramco resulting in proceeds of SAR 66,771 million.

(e) During the month of April 2022, the Group, through one of its subsidiaries, acquired further 12.46% shareholding in National Agricultural Development Company (“NADEC”) increasing to 32.46%, as part of strengthening the food security mandate of the Group within the Kingdom.

(f) The geopolitical situation in Eastern Europe intensified in February 2022, with crisis involving Russian Federation (“Russia”) and Ukraine. In response, some jurisdictions have imposed broad-based sanctions on Russia. Further, a growing number of large public and private companies have announced voluntary actions to curtail business activities with Russia. The Group considers this event to be a non-adjusting post reporting date event. As the situation is fluid and rapidly evolving, the Group does not consider it practicable to provide a quantitative estimate of the potential impact of this crisis on the Group’s operations and investments. The Group continues to monitor and assess the situation closely including any direct or indirect financial impact.

(g) Royal Order number 56780 dated 11 April 2022 mandated PIF to finance the compensation due to expropriation of lands in specified areas. PIF Funding will be repaid by a governmental body based on repayment mechanism agreed between both parties. Expropriated lands will be transferred to the Group without consideration. During May 2022, the Group have financed SAR 891 million for the compensation.

(h) During the month of March 2022, the Group, through one of its subsidiaries, entered into an agreement to acquire 35.43% of Olam Agri Holdings for US $1.24 billion (equivalent to SAR 4.65 billion). The transaction is expected to be completed during 2022 after obtaining the required approvals from the relevant regulatory authorities.

(i) During the year 2022, Al-Ahli Takaful Company ("ATC"), an associate of the Group, merged with Arabian Shield Cooperative Insurance Company (“ASC”) and therefore has ceased to exist as a legal entity. As a result of the merger, the Group holds investment in ASC of 11.2% and will be classified as part of financial asset within investment securities.

(j) During the year 2022, one of the Group’s subsidiaries has completed the issuance of additional cross border Tier 1 Sukuk denominated in US Dollars, amounting to SAR 2,810 million.

(k) During the year 2022, one of the Group’s subsidiaries has completed the issuance of local Sukuk to SAR 4,000 million.

(l) During the year 2022, the Group, through its subsidiaries has entered into sponsorship agreements with multiple football clubs amounting to SAR 8,750 million.

47. SUBSEQUENT EVENTS (continued)

(m) Subsequent to 31 December 2021, one of the Group's subsidiaries obtained the regulatory approvals required for the Sukuk issuance and issued Sukuk amounting to SAR 2 billion. Furthermore, during 2021, the BoD of the respective subsidiary recommended to its shareholders to initiate legal formalities to file for an Initial Public Offering ("IPO Application") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As of the date of approval of the consolidated financial statements for the year ended 31 December 2021, the respective subsidiary is in the process of preparing the IPO Application.

(n) During the year 2022, ACWA Power Company, an associate of the Group, has signed multiple water and power purchase agreements amounting to SAR 10,325 million.

(o) During the year 2022, the approval of the Capital Market Authority has been obtained for Saudi Real Estate Company's ('Al Akaria') request to increase its capital through a rights issue, and on 18 May 2022 the Extraordinary General Assembly of Al Akaria has approved the increase in share capital.

(p) On 27 February 2022, Lucid Group Inc, a subsidiary of the Group, announced that it has selected King Abdullah Economic City ("KAEC") in the Kingdom of Saudi Arabia as the location of its first international manufacturing plant and signed related agreements with the Ministry of Investment of Saudi Arabia, the Saudi Industrial Development Fund, and the Economic City at KAEC. Construction of the plant is expected to start in 2022 and at its peak, Lucid Group Inc expects the KAEC facility to manufacture up to 150,000 vehicles per year.

(q) During the year 2022, Lucid LLC, a subsidiary of the Group, signed a loan agreement with Saudi Industrial Development Fund ("SIDF"). Under this loan agreement, SIDF is committed to provide loans to Lucid LLC in an aggregate amount principal amount of up to SAR 5,190 million.

48. COVID IMPACT

On 31 December 2019, the World Health Organization ("WHO") was informed that a limited number of cases of pneumonia, of an unknown cause, were detected in Wuhan, China. On 7 January 2020, Chinese authorities identified a new type of coronavirus ("COVID-19") as the cause. Since 31 December 2019, the development and spread of COVID-19 has resulted in the occurrence of a multitude of associated events which have had a significant detrimental impact on socio-economic environment across the globe. On 11 March 2020, WHO declared COVID-19 as a pandemic.

COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. Despite having previously controlled the outbreak through aggressive precautionary measures, the Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the Group has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families, and fully activating the technological solutions to ensure the continuity of business.

The Group's management assessed the accounting implications of the said impact and considered the following areas of its special purpose consolidated financial statements for this purpose:

- Impairment of tangible and intangible assets under IAS 36, 'Impairment of non-financial assets;
- Recognition of the right of use assets and liabilities regarding lease modification under IFRS 16;
- Estimated useful life of tangible and intangible assets;
- Determination of expected credit losses ("ECL");
- Provisions and contingent liabilities under IAS 37, including onerous contracts; and
- Going concern assumption used for the preparation of these special purpose consolidated financial statements.

As a result of a detailed assessment carried out by the management of the Fund and its subsidiaries, it is concluded that Covid-19 did not result in any material impact on the Group's operations. However, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

48.1 Banking and Financing Operations

The Group, through its banking and financing operations subsidiaries, continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The banking and financing operations subsidiaries of the Group have also made updates within its expected credit loss ("ECL") model to refine the application of the staging criteria due to significant increase in credit risk ("SICR") on affected customers to be able to differentiate and reflect appropriately in its models.

During the year ended December 31, 2021, the respective subsidiaries have revised certain inputs and assumptions including but not limited to macroeconomic factors and scenario probabilities used for the determination of ECL.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

(All amounts in million SAR unless otherwise stated)

48. COVID IMPACT (continued)

48.2 Banking and Financing Operations

(a) SAMA support programs and initiatives

- **Private Sector Financing Support Program ("PSFSP")**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (MSME) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP encompasses mainly the following programs:

- Deferred payments program;
- Facility Guarantee program;
- Funding for lending program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the respective subsidiaries deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support programs	Instalments deferred (SAR 'billion)	Cost of deferral (SAR 'million)
April 2020 – September 2020	9.29	288
October 2020 – December 2020	6.93	104
January 2021 – March 2021	9.45	134
April 2021 – June 2021	10.45	220
July 2021 – September 2021	2.11	40
October 2021 – December 2021	1.08	42
January 2022 – March 2022	1.03	35

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The banking and financing operations subsidiaries of the Group continue to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio.

In order to compensate the related cost that the respective subsidiaries of the Group have incurred under the SAMA and other public authorities program, during the year 2020, the respective subsidiaries received profit free deposits from SAMA with varying maturities, and subsequently in 2021 acquired profit free deposit as part of business combination. As at the year ended 31 December 2021, the total of outstanding deposits amounted to SAR 14 billion (2020: 11.6 billion) which qualified as government grant. Management of respective subsidiaries determined based on the communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements (refer to not 28).

49. STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's special purpose consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

49.1 Onerous contracts – Cost of Fulfilling a Contract -Amendments to IAS 37

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

49.2 Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The amendment applies to annual reporting periods beginning on or after 1 April 2021.

49.3 Property, Plant and Equipment: Proceeds before Intended Use -Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

49.4 Reference to Conceptual Framework -Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

49. STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

49.5 Classification of Liabilities as Current or Non-current -Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

49.6 IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

49.7 Definition of Accounting Estimates- Amendments to IAS 8

On 12 February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023.

49.8 Disclosure of Accounting Policies- Amendments to IAS 1 and IFRS Practice Statement 2

On 12 February 2021, the IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2023.

49.9 IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

(All amounts in million SAR unless otherwise stated)

49. STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

49.10 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

On 7 May 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023.

49.11 IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

49.12 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture. The amendments must be applied prospectively. The amendment is issued but the effective date is deferred indefinitely.

49.13 IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s special purpose consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to either to conform to the current year’s classification or for better presentation of the consolidated financial statements with no change to the total consolidated equity as at 31 December 2020 nor the consolidated profit for the year ended 31 December 2020. Summary of such reclassifications is tabulated below:

Description	*Amount as previously stated*	*Effect of reclassification*	*Amount after reclassification*
Revenue	122,733	56,307	179,040
Other operating income	53,131	(50,601)	2,530
Other finance income	10,817	(4,872)	5,945
Share of profit of associates and joint ventures, net	5,686	(834)	4,852
Current employee benefits	1,464	(1,427)	37
Non-current employee benefits	7,471	1,427	8,898

The special purpose consolidated financial statements as at and for the year ended 31 December 2020 have been prepared for the first time by the Group. Balances as of 1 January 2020 in these special purpose consolidated financial statements are unaudited.