Public Investment Fund and its subsidiaries

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد 92876
الرياض 11663
المملكة العربية السعودية
سجل تجاري رقم **1010425494**

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 2020, 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 effects and possible effects 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, 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 not complied with the requirements of IFRS 8 "Operating Segments" as they have not disclosed information relating to the operating segments of the Group.

3- 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 have been 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 accompanying special purpose consolidated financial statements as at and for the year ended 31 December 2020.

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.

KPMG

Independent Auditor's Report on Special Purpose Consolidated Financial Statements

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

Emphasis of Matter

We draw attention to Note 2 to the special purpose consolidated financial statements, which describes the basis of accounting. As described in note 2, the Group has not presented comparative information relating to the consolidated statement of financial position as at 31 December 2019, 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 related notes comprising other explanatory information.

Other matter

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 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 these special purpose consolidated financial statements in accordance with the basis of preparation described in Note 2 to these 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 is 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

Khalil Ibrahim Al Sedais
License No: 371

Riyadh on: 27 Rajab 1443H
Corresponding to: 28 February 2022

KPMG Professional Services

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	***2020***
ASSETS		
Non-current assets		
Property, plant and equipment	5	143,284
Mine properties	6	10,672
Intangible assets	7	17,740
Right-of-use assets	8	8,722
Investment properties	9	24,588
Investments in associates and joint ventures	10	116,523
Deferred tax assets	11	846
Inventories	12	195
Derivatives	13	9,373
Promissory notes	14	217,151
Investment securities	15	548,643
Other non-current assets	16	43,428
Financing and advances	17	354,655
Cash and deposits with banks and other financial institutions	18	13,631
		1,509,451
Current assets		
Inventories	12	8,808
Derivatives	13	207
Promissory notes	14	18,750
Trade receivables	19	31,765
Investment securities	15	166,841
Other current assets	16	34,466
Financing and advances	17	28,099
Cash and deposits with banks and other financial institutions	18	258,109
		547,045
Assets held for sale	20	3,303
		550,348
TOTAL ASSETS		**2,059,799**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	*2020*
EQUITIES AND LIABILITIES		
Equity		
Capital contribution	21	364,673
Additional capital contribution	21.1	288,813
Retained earnings		486,534
General reserve	21.3	30,589
Other reserves	21.4	12,995
Equity attributable to owner of the Fund		**1,183,604**
Non-controlling interests	23	91,206
Total equity		**1,274,810**
Liabilities		
Non-current liabilities		
Employees' benefits	24	7,471
Deferred tax liabilities	11	1,155
Provisions	25	2,981
Loans and borrowings	26	117,546
Lease liabilities	27	7,375
Deferred government grants	28	3,947
Derivatives	13	11,687
Customer deposits	30	191,999
Trade and other payables	29	11,207
		355,368
Current liabilities		
Employees’ benefits	24	1,464
Provisions	25	5,625
Loans and borrowings	26	79,087
Lease liabilities	27	1,655
Deferred government grants	28	54
Derivatives	13	827
Trade and other payables	29	80,265
Customer deposits	30	255,201
Zakat and income tax	11	4,296
		428,474
Liabilities directly associated with assets held for sale	20	1,147
		429,621
Total liabilities		**784,989**
TOTAL EQUITY AND LIABILITIES		**2,059,799**

These special purpose consolidated financial statements were approved by Board of directors on 2 Rajab 1443H (corresponding to 3 February 2022G) and signed on its behalf by:

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 47 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	***2020***
CONTINUING OPERATIONS		
Revenue	31	122,733
Cost of revenue	32	(66,259)
Other operating income, net	33	53,131
Selling and distribution expenses	34	(6,221)
Administrative expenses	35	(32,128)
Net impairment losses on financial assets	39	(4,691)
Share of profit of associates and joint ventures	10	5,686
OPERATING PROFIT		**72,251**
Other finance costs	36	(3,596)
Other finance income	37	10,817
PROFIT BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		**79,472**
Zakat and income tax expense	11	(3,349)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**76,123**
DISCONTINUED OPERATIONS		
Profit after zakat and income tax for the year from discontinued operations	20	145,124
PROFIT FOR THE YEAR		**221,247**
Attributable to:		
Owner of the Fund		212,723
Non-controlling interests		8,524
		221,247

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 47 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	***2020***
Profit for the year		**221,247**
Other Comprehensive Income		
Other comprehensive income/(loss) that may be reclassified to in subsequent periods (net of tax):		
Net loss on hedge of a net investment		(4)
Exchange difference on translation of foreign operations		(1,049)
Net loss on cash flow hedges		(148)
Net gain on debt instruments at FVOCI		870
Other comprehensive loss from discontinued operations	20	(1,083)
Share of other comprehensive loss of associates and joint ventures	10	(532)
		(1,946)
Net other comprehensive income / (loss) that will not be reclassified to statement of income in subsequent periods (net of tax):		
Net gain on equity instruments designated at fair value through other comprehensive income		15,593
Remeasurement loss on employees' defined benefits obligation	24	(730)
Remeasurement loss on employees' defined benefits obligation from discontinued operations	20, 24	(2)
Share of other comprehensive loss of associates and joint ventures	10	(408)
		14,453
Total other comprehensive income for the year		**12,507**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**233,754**
Attributable to:		
Owner of the Fund		225,488
Non-controlling interests		8,266
		233,754

The Governor
Yasir O. Al-Rumayyan

Chief Financial Officer
Yasir Alsalman

The notes 1 to 47 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	Attributable to the Owner of the Fund							
		Capital contribution by Owner	*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									
Remeasurement loss on employees' defined benefit liabilities	24	-	-	-	(428)	(34)	(462)	(270)	(732)
Net gain on equity instruments designated at FVOCI		-	-	-	15,511	-	15,511	82	15,593
Exchange difference on translation of foreign operations		-	-	-	(570)	-	(570)	(479)	(1,049)
Net loss on hedge of a net investment		-	-	-	(4)	-	(4)	-	(4)
Cash flow hedge - effective portion of changes in fair value		-	-	-	38	(82)	(44)	(73)	(117)
Cash flow hedge - reclassified to profit or loss		-	-	-	(13)	-	(13)	(18)	(31)
Debt instruments measured at FVOCI - net change in fair value		-	-	-	606	-	606	758	1,364
Debt instruments measured at FVOCI - reclassified to profit or loss		-	-	-	(221)	-	(221)	(273)	(494)
Share of other comprehensive loss of associates and joint ventures	10	-	-	-	(954)	(1)	(955)	15	(940)
Other comprehensive loss from discontinued operations	20				(1,083)		(1,083)	-	(1,083)
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 47 form an integral part of these special purpose consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts in million SAR unless otherwise stated)

	Notes	*2020*
OPERATING ACTIVITIES		
Profit before zakat and income tax from continuing operations		79,472
Profit before zakat and income tax from discontinued operations		145,140
		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	20,256
Net loss on disposal of mine properties, PPE, biological assets, investment properties, intangible assets and right-of-use assets	33	115
Impairment loss and amortisation of contract costs and contract assets		805
Impairment charge on financial assets, net	39	4,691
Impairment charge/(reversal) on associates	10.1	(639)
Impairment charge on other assets		197
Net gain on disposal of assets and liabilities classified as held for sale		(147,681)
Gain on sale of equity accounted investees		(648)
Amortisation of premium on non-trading financial instruments, net		191
Net gain on financial instruments		(46,020)
Net loss on disposal of other repossessed assets		77
Other finance income - Non banking operations		(10,817)
Other finance costs - Non banking operations		3,596
Other income		(275)
Share of profit of associates and Joint ventures - net	10	(5,686)
Share of loss of disposed subsidiary		2,153
Provision for slow moving and obsolete inventories		30
Provision for employees' benefit obligations	24.1	1,136
Amortisation of deferred government grants		(61)
Other provision made during the year		(333)
Net foreign exchange differences		184
Net cash (outflow) inflow from operating activities from discontinued operations		(97)
Others		(871)
		44,915
Changes in:		
Increase in inventories		(875)
Decrease in trade receivables		3,425
Decrease in biological assets		20
Increase in other assets		(11,741)
Increase in financing and advances [Banking operations only]		(79,661)
Increase in statutory deposits [Banking operations only]		(3,385)
Decrease in due from bank and other financial institutions with original maturity over three months [Banking operations only]		1,475
Increase in trade and other payables		10,786
Increase in customer deposits and Islamic customer deposits [Banking operations only]		63,549
Increase in due to banks and other financial institutions [Banking operations only]		14,090
Fair value of derivatives, net		1,641
Increase in held at FVTPL investments [Banking and investment entities only]		(138,601)
Others		3,879
		(90,483)
Other finance costs paid - [Non-banking operations]		(3,519)
Other finance income received - [Non-banking operations]		8,141
Zakat and income tax paid		(2,522)
Employees' end of service benefits paid		(971)
Other provisions paid during the year		(625)
Net cash used in operating activities		**(89,979)**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts in million SAR unless otherwise stated)

		2020
INVESTING ACTIVITIES		
Purchase of mine properties, PPE, intangible assets and investment properties	5,6,7,8	(31,132)
Proceeds from sale/ disposal of mine properties, PPE, intangible assets and investment properties	5,7,9	254
Acquisition of subsidiaries - net of cash acquired		(294)
Tier 1 Sukuk acquired		2,000
Proceeds from disposal of subsidiaries		25,461
Investments made in associates and joint ventures		(4,319)
Proceeds from disposal of investments in associates and joint ventures		761
Dividends received from associates and joint ventures		1,694
Purchase of investment securities - [Non-banking operations]		(21,205)
Purchase of investment securities (other than held at FVTPL) - [Banking operations only]		(53,254)
Proceeds from sale of investment securities - [Non-banking operations]		12,385
Proceeds from sale of investments made in investment securities (other than held at FVTPL) - [Banking operations only]		41,766
Net movement in deposits with banks and other financial institutions with original maturity of more than 3 months [Non-banking operations]		31,266
Movement in restricted cash balance, net		(38)
Dividends received from disposed subsidiaries		4,653
Net cash outflow from investing activities for discontinued operations		(24)
Others		96
Net cash flow from investing activities		**10,070**
FINANCING ACTIVITES		
Capital contribution by shareholders		177,364
Dividends paid to shareholders		(24,000)
Gross proceeds from borrowings (Non-banking operations)		9,782
Repayment of borrowings (Non-banking operations)		(49,043)
Payment of principal portion of lease liabilities		(1,477)
Proceed from debts issued and other borrowed funds [Banking operation only]		13,588
Repayment of debts Issued and other borrowed funds [Banking operation only]		(4,958)
Repayment of Tier 1 Capital instruments		(1,000)
Issuance of Tier 1 Capital instruments		2,200
Interest on Tier 1 Capital instruments		(343)
Receipts from Government grants		771
Acquisition of non-controlling interests		(441)
Contribution from non-controlling interests		300
Dividends paid to non-controlling interests		(4,494)
Payment made on behalf of the Owner		(1,063)
Net cash inflow from financing activities for discontinued operations		150
Others		5,570
Net cash flow from financing activities		**122,906**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,997**
Net foreign exchange differences		(47)
Cash and cash equivalents at the beginning of the year (unaudited)		170,403
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**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 sources 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 42.

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 2 Rajab 1443H (corresponding to 3 February 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 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, 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.

The consolidated statement of financial position included in this special purpose consolidated financial statements, is prepared in line with the consolidated preliminary opening IFRS statement of financial position of the Fund and its subsidiaries "the Group" , which, may require amendments and adjustments before constituting as the opening consolidated statement of financial position as at 1 January 2021 in the first complete set of consolidated financial statements which will be prepared under IFRS as endorsed in KSA, for the Group as at and for the year ending 31 December 2022.

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 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 2019 and three statements of financial position have not been presented — Practical expedients for IFRS 1 first time adoptions have been applied as at 31 Dec 2020 and their impact on P&L for the year are not identified; 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	IAS 1 – Presentation of financial statements	The Group has not presented the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2019 and related notes.

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 and parcel of lands received from the government that are measured at nominal value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that are expected to be adopted, when management prepares its complete set of consolidated financial statements as at and for the year ending 31 December 2022 are summarized below and have been applied in the preparation of the special purpose consolidated financial statements to the extent applicable, except for departures from IFRS as explained in Note 2.1.

3.1 Basis of consolidation

The special purpose consolidated financial statements comprise the statement of financial statements of PIF and its subsidiaries (the “Group”) for the year ended 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 42 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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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 where the transaction has economic substance are accounted for using the acquisition method. For transactions involving entities under common control 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. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment in associates and joint ventures (continued)

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 the settlement of which is neither planned nor likely to occur in the foreseeable future. These loans, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.6 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Fair value measurement (continued)

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.

3.7 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Exploration and evaluation assets (continued)

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".

(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.

(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)

(c) Stripping activity asset and stripping activity expense (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

  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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

(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.

3.9 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Investment properties (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Intangible assets (continued)

(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.

3.13 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of non-financial assets (continued)

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ ***Financial assets (continued)***

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 the dividend 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.

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.

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

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.

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)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

- ***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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(c) Derecognition (continued)

- ***Financial assets (continued)***

  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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(e) Impairment of financial assets

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(e) Impairment of financial assets (continued)

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 41.

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(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.

(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.

- ***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial Instruments (continued)

(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.

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

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.

- ***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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Derivative financial instruments and hedge accounting (continued)

(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;
- 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.

3.16 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Inventories (continued)

(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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.19 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(a) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.24 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Employment benefits (continued)

(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.

3.25 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(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.

(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.

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)

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.

- ***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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 Revenue recognition (continued)

(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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, including related transaction costs.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 Zakat and Taxation

(a) Zakat

The Fund is 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 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 ZACTA, 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 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.28 Zakat and Taxation (continued)

(c) Deferred tax (continued)
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'.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.30 Foreign currencies (continued)

(a) Transactions and balances (continued)

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.

3.31 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.31 Non-current assets held for sale and discontinued operations (continued)

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.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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). 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 Al Elm Information Security Company (Elm). However, these are classified as associate (refer to Note 10) 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.

Elm is managed by a board of directors from the Ministry of Interior (MOI) and the Group. MOI'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.

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.

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

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 power over the relevant activities of SEC and has significant influence based on its shareholding and representation in the Ministerial Committee. This change is effective from March 2019 i.e. when rights were granted to the Ministerial Committee and accordingly SEC is classified as an associate.

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 43).

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:

(a) 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.

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

4.9 Revenue from contracts with customers (continued)

(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.

(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.

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

4.9 Revenue from contracts with customers (continued)

(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).

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

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.

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

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.

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

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.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

4.23 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.

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

4.24 Impairment on other financial assets (continued)

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 41.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

4.30 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.

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.

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

4.31 Employee Benefits (continued)

(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.

4.32 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. Also refer to Note 46 - 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 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:

	2020
Cost of revenue	10,101
Administrative expenses	2,074
Selling and distribution expenses	14
Relating to discontinued operations	150
	12,339

5.2 Allocation of impairment charged for the year to:

	2020
Cost of revenue	4
Administrative expenses	660
	664

5.3 Other disclosure related to property, plant and equipment:

(a) Land includes parcels with a value of 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 following projects:
- Projects relating to telecommunications amounting to SAR 4,419 million;
- Ammonia Project 3 amounting to SAR 2,874 million;
- Red Sea development project amounting to SAR 2,198 million;
- Neom development project amounting to SAR 1,768 million;
- Amaala Development project amounting to SAR 649 million; and
- Costs incurred on procurement and construction of certain drilling equipment amounting to SAR 306 million.

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

(e) During 2020, the Group sold certain property, plant and equipment, with a net carrying amount of SAR 340 million, for a cash consideration of SAR 194 million. The net losses of SAR 146 million on these disposals 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 91 million. The weighted-average interest rate ranges from 2.6% to 3.55% per annum.

(g) Additions during the year include assets acquired through business combination amounting to SAR 251 million.

(h) Non-cash additions amounted to SAR 121 million.

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

5.4 Details of significant impairment test:

(a) The Group performed its impairment test for the carrying value of aircrafts under “Transportation Assets”. The recoverable amount was determined on the market value 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.

(b) 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.

(c) The Group performed an impairment test for the carrying value of 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 future cash flows by using 2% growth rate from the cash generating unit. These cash flows are discounted using pre-tax discount rate of 10.51%. In determining future cash flows, the Group has considered rent-free period up-to 3 months and take-up period of 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.

(d) Based on identified impairment indicators, including significant cost over runs of the construction of Sindalah Island 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.

(e) For the year ended 31 December 2020, and based on the impairment tests performed by the Group and its subsidiaries, the Group has recognized an impairment loss of SAR 664 million.

(All amounts in million SAR unless otherwise stated)

6. MINE PROPERTIES

		Operating Mines								
	Exploration and evaluation assets	*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 within 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 883 million was fully allocated to cost of revenue.

(a) **Mining capital work-in-progress**
It is normal industry practice for producing mines to embark on major capital expenditure projects to enhance or improve the existing flow sheet and are accounted for as “Capital work-in-progress” until its completion for intended use, when it is transferred at cost to the producing mine and put into use, from which point onwards it is being depleted.

(b) Mine properties with a net book value of SAR 4,617 million as at 31 December 2020 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*	*Contract intangibles*	*Others*	*Capital work-in-progress*	*Total*
Cost							
As at 1 January 2020 (unaudited)	2,074	15,130	7,976	2,475	1,305	418	29,378
Additions during the year	-	371	19	218	11	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**	**17,177**	**8,866**	**2,536**	**1,254**	**1,048**	**35,515**
Accumulated amortization and impairment losses							
As at 1 January 2020 (unaudited)	-	10,768	2,669	1,134	197	-	14,768
Amortization charge for the year	-	1,772	449	296	137	-	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	-	(29)	-	-	4	-	(25)
Others	-	4	-	-	-	-	4
At 31 December 2020	**615**	**12,483**	**3,118**	**1,271**	**288**	**-**	**17,775**
Net carrying value							
Balance at 31 December 2020	**4,019**	**4,694**	**5,748**	**1,265**	**966**	**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:

	2020
Cost of revenue	685
Administrative expenses	1,965
Selling and distribution expenses	2
Relating to discontinued operations	2
	2,654

7.2 Allocation of impairment charged for the year to:

	2020
Administrative expenses	615
	615

7.3 Other disclosures related to intangible assets:

(a) The cost includes the goodwill arising from business combinations amounting to SAR 2,684 million.

(b) Capital work in progress primarily represents computer software under development and development costs against Lucid Air prototype launched on 17 August 2020.

(c) During 2020, the Group sold certain intangible assets at its net carrying amount of SAR 6 million.

(d) Others primarily represent technology, trademark, patents, domain and trade names.

(e) The following is the net book value and expiry dates of the telecommunication licenses and frequency spectrum as at 31 December 2020:

Country	**End of amortization period**	**Net book value**
Saudi Arabia	2026/2030/2032/2033/2034	3,149
Kuwait	2021/2033/2039	1,892
Bahrain	2025/2031/2034/2038	707
Total		**5,748**

(f) Non-cash additions amounted to SAR 1,031 million.

7.4 Impairment test on goodwill

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

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

- 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 2020.

(All amounts in million SAR unless otherwise stated)

7. INTANGIBLE ASSETS (continued)

7.4 Impairment test on goodwill (continued)

(a) Saudi Arabian Mining Company (Ma'aden) (continued)

- Intangible assets include goodwill of SAR 159 million arising from the acquisition of Meridian in 2018 by Saudi Arabian Mining Company (Ma'aden). Group performed impairment test for goodwill allocated to fertilizer distribution companies as a 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. Cash flows beyond 5 years are extrapolated using growth rate stated below. This growth rate 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	**2020**
Sales growth rate	15.38%
Discount rate	29.73%
Average EBITDA margin	9.80%

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 Agricultural & Livestock Investment Company (SALIC)

Intangible assets include goodwill of 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 10 years. Cash flows beyond 10 years are extrapolated using growth rates not exceeding the long-term growth rates of the economies in which these subsidiaries operate. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. 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	**2020**
Yields average annual growth rate	1.06%
Sales price average annual growth rate	2.21%
EBITDA margin in the terminal period	27.71%
Terminal growth rate	2.00%
Pre-tax discount rate	12.52%

Based on the results of the impairment test of the goodwill, it was concluded that no impairment to be recorded as of 31 December in 2020. 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)

(c) Industrialization & Energy Services Company (Taqa)

Intangible assets include goodwill of SAR 88 million arising from the acquisition of TAQA Sanjel in 2011 by Taqa, and it also includes also goodwill of SAR 76 million arising from the acquisition of Cougar Drilling Solutions Inc. ("CDSI") in 2019 by Taqa Drilling Solutions Inc. ("TDSI"). Taqa performed impairment test for goodwill allocated to TAQA Sanjel and CDSI 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, which are based on past performance and management's expectations of market development.

The following table sets out the key assumptions used for value-in-use calculations for assessing goodwill impairment:

Assumptions	**Taqa Sanjel CGU**	**CDSI CGU**
Discount rate	12.3%	15.0%
Growth rate	2.0%	3.5%

Based on the result of the impairment test, it was concluded that no impairment was required as of 31 December in 2020. 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

(d) Ayar Third Investment Company

Intangible assets include goodwill of SAR 227 million arising from the acquisition of Atieva Inc. in 2019 by Ayar Third Investment Company. Ayar Third Investment Company performed impairment test for goodwill allocated to Atieva Inc. CGU based on fair value less cost to sell as a recoverable amount. To arrive at the fair value less costs to sell, Ayar Third Investment Company carried out internal valuations of the unlisted equity shares using an option pricing model. Based on the result of this test, it was concluded that no impairment was required as of 31 December in 2020.

(e) Saudi Investment Recycling Company (SIRC)

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

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.

(All amounts in million SAR unless otherwise stated)

8 RIGHT-OF-USE ASSETS

	Land	*Buildings*	*Plant, machinery and equipment*	*Others*	*Total*
Cost:					
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**
Net carrying value:					
Balance at 31 December 2020	**2,506**	**3,696**	**1,150**	**1,370**	**8,722**

8.1 Allocation of depreciation charge for the year:

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

8.2 Leases expenses where practical expedient is applied:

	2020
Leases expenses related to short term leases	
Cost of revenue	286
Administrative expenses	242
Total	**528**

(All amounts in million SAR unless otherwise stated)

8. RIGHT-OF-USE ASSETS (continued)

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

	2020
Cost of revenue	2
Administrative expenses	108
Total	**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 626 million included in investment properties are constructed on a land leased from the High Commission for the Development of Arriyadh under two contracts for 99-years and 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 79 million pertaining to machinery and equipment are capitalized under contract assets in "Other assets" in line with the requirements of IFRS 15 *Revenue from Contracts with Customers*.

9. INVESTMENT PROPERTIES

	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:

	2020
Cost of revenue	139
Administrative expenses	3
Total	**142**

9.2 Allocation of impairment charged for the year to:

	2020
Cost of revenue	159
Administrative expenses	750
Total	**909**

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

	2020
Rental income derived from investment properties	331
Direct operating expenses included in cost of revenue	3
Direct operating expenses included in cost of revenue that did not generate rental income	19

9.4 Other disclosures related to investment properties

(a) Land includes 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) Land with a carrying value of SAR 2,719 million are pledged against an Islamic loan from a local bank. (refer to Note 26).

(c) 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 amounted to SAR 417 million as at 31 December 2020.

(d) Subsequent to the year ended 31 December 2020, 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 2020 amounted to SAR 2,168 million and SAR 829 million respectively.

(e) 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. 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 amounting to SAR 985 million has been reclassified and disclosed in ' assets held for sale – discontinued operations' (refer to Note 20).

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

(g) Non-cash additions during the year amounted to SAR 167 million.

(h) During 2020, the Group sold land with a carrying value of SAR 10 million for a cash consideration of SAR 54 million. The net gain of SAR 44 million on this disposal is recognized as part of "other operating income, net" in the consolidated statement of profit or loss.

(All amounts in million SAR unless otherwise stated)

9. INVESTMENT PROPERTIES (continued)

9.5 Investment properties fair values

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

Category of assets	Total carrying value	*Fair value hierarchy disclosure* 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 2020 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:

- Discounted cash flow (DCF);
- Market comparable approach; and
- Replacement cost method.

9.6 Lands that cannot be fair valued

Following table summarises the lands for which fair values cannot be determined reliably:

Name	Location	Proposed use	Year of contribution
Neom	Tabuk Region	Undetermined	2016
Red Sea – 1	Tabuk Region	Undetermined	2016
Red Sea – 2	Tabuk Region	Undetermined	2016
Amaala	Tabuk Region	Undetermined	2019
Qiddiyah	Central Region	Undetermined	2016
Jeddah Lake Land	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 (refer to Note 44).

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 2020, decline in value of buildings and capital work-in-progress amounted to SAR 166 million and SAR 743 million respectively compared with its carrying value has been recognized as an impairment during the year ended 31 December 2020.

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	***2020***
Growth Rate	2.0%
Discount rate	10.51%
Period of cash flow	10 years
Rent free period	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

	2020	
	Associates	***Joint Ventures***
As at 1 January 2020 (unaudited)	98,958	8,678
Investments made during the year	4,603	26
Share of results of associates and joint ventures - net [(a)]	5,000	686
Dividends received/receivable	(2,327)	(287)
Discontinuation of equity method on acquisition of control [(b)]	(3,402)	(2)
Additions on loss of control [(c), (d)]	1,126	-
Share of other comprehensive (loss) / income	(920)	(20)
Movement of net investments [(e)]	3,684	(18)
Reversal of impairment on investments	639	-
Translation differences	40	59
At 31 December 2020	**107,401**	**9,122**

10.2 Disclosure related to investments in associates and joint ventures:

(a) 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.

(b) 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, 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.

(c) 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 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.

(d) During the year, 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. Legal formalities for issuance of additional shares in Elm is in process as of 31 December 2020 and will be completed subsequent to the year end.

(e) 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 Ministry of Finance.

(f) Non-cash investments during the year amounted to SAR 312 million and non-cash dividends amounted to SAR 920 million.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.3 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*
Binariang GSM Holding ("BGSM")	Malaysia	25.00%	Telecommunications services
G3 Global Holdings LP	Canada	75.00%	Grain trading
Adeptio AD Holdings Ltd	Kingdom of Saudi Arabia	50.00%	E-Commerce
Ma’aden Barrick Copper Company (“MBCC”)	Kingdom of Saudi Arabia	50.00%	Mining
Saudi Global Ports (SGP)	Kingdom of Saudi Arabia	51.00%	Container Terminal
Wessal Bouregreg S.A	Kingdom of Morocco	20.00%	Diversified financials
Wessal Casa Port	Kingdom of Morocco	20.00%	Diversified financials
Sahara and Ma’aden Petrochemicals Company (“SAMAPCO”)	Kingdom of Saudi Arabia	50.00%	Mining
Gulf Chemical Carriers Holdings Limited	Cayman Islands	41.28%	Marine
Wessal Tangier Marina	Kingdom of Morocco	20.00%	Diversified financials
Contact Centres Company (“CCC”)	Kingdom of Saudi Arabia	49.00%	Submission of proposals and technical solutions
National Grain Company	Kingdom of Saudi Arabia	50.00%	Grain trading
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	50.00%	Extension of telecom wiring
A Consortium to construct eight desalination plants (a)	Kingdom of Saudi Arabia	33.00%	Desalination plant
Wessal Capital Asset Management	Kingdom of Morocco	20.00%	Diversified financials
Contribution in obtaining licenses to establish a smart poles plant (Icore Poles) of Photizio (b)	Kingdom of Saudi Arabia	50.00%	Manufacturing and distribution of lighting
MOBCO PECSA JV	Kingdom of Saudi Arabia	49.00%	Construction
Development of polyurea product with a joint project (c)	Kingdom of Saudi Arabia	50.00%	Manufacture and marketing polyurea product
G3 Global Holdings GP Inc.	Canada	75.00%	Grain trading
Saudi Defence Electronics Company (SADEC)	Kingdom of Saudi Arabia	50.00%	Defence
Noon Investments Company (d)	UAE	50.00%	E-commerce

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.3 Investment in joint ventures: (continued)

(a) The Group, through one of its subsidiaries, entered into a joint arrangement on a share of 33.33% in an alliance with the companies Al Fatah Water and Power Company and Al Fattah Energy and Electricity Company" ("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.

(b) The investment in the joint venture represent contribution of share of 50% with Sharif holdings group 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.

(c) The investment in the joint venture represent development of polyurea product with a joint project with Algosaiby co located in Dammam 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.

(d) The total share of loss attributable to the Group exceeded its investment in the joint venture. The Group has recognized its share of loss amounting to SAR 798 million during the year. The share of loss was offset against due from joint venture.

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

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.4 Summarized financial information for joint ventures:

Joint Venture	*Current assets excluding cash and cash equivalent*	*Cash and cash equivalent*	*Non-current assets*	*Current liabilities (excluding trade and other payables and provisions)*	*Current trade and other payables and provisions*	*Non-current liabilities (excluding trade and other payables and provisions)*	*Non-current trade and other payables and provisions*	*Equity attributable shareholders of joint ventures*	*Carrying amount of investment*
Binariang GSM Holding ("BGSM")	2,146	939	27,709	(1,160)	(3,895)	(12,920)	(771)	376	**4,813 [(a)]**
G3 Global Holdings LP	1,859	764	4,853	(833)	(884)	(2,993)	-	2,230	**1,673**
Adeptio AD Holdings Ltd	2,382	2,452	12,046	(3,923)	(2,807)	(4,793)	-	7,932	**945 [(a)]**
Ma'aden Barrick Copper Company ("MBCC")	246	268	1,692	(174)	(21)	(78)	(48)	1,885	**936 [(b)]**
Individually immaterial joint ventures									**755**
Total									**9,122**

Joint Venture	*Revenue*	*Interest expenses*	*Income tax expenses*	*Profit (loss) attributable to shareholders*	*Other comprehensive income (loss)*	*Total comprehensive income (loss) attributable to shareholders*	*Dividends received*	*Group's share of profit (loss)*	*Group's share of other comprehensive income (loss)*
Binariang GSM Holding ("BGSM")	8,502	(912)	(437)	725	(9)	716	-	**66**	**31**
G3 Global Holdings LP	8,401	(75)	4	87	-	87	-	**56**	**-**
Adeptio AD Holdings Ltd	10,408	-	-	635	(90)	545	-	**318**	**(45)**
Ma'aden Barrick Copper Company ("MBCC")	1,449	(1)	(83)	595	(1)	594	**287**	**297**	**(1)**
Individually immaterial joint ventures	4,814	(2)	-	(1,613)	-	(1,684)	-	**(51)**	**(5)**
							287	**686**	**(20)**

(All amounts in million SAR unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.4 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:

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

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

(c) The Group has commitments to provide funding for joint venture's capital commitments, which is amounting to SAR 5,371 million, if called.

(d) As at 31 December 2020, tax claims and contingent tax liabilities amounted to SAR 859 million. The Group share in these claims amount to SAR 429 million.

10.5 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*
Saudi Electricity Company (SEC)	Utilities	75.10%	66,653	Kingdom of Saudi Arabia
Samba Financial Group [(a)]	Banks	22.91%	14,000	Kingdom of Saudi Arabia
Riyad Bank	Banks	21.75%	13,183	Kingdom of Saudi Arabia
International Company for Water & Power Projects (ACWA)	Utilities	50.00%	-	Kingdom of Saudi Arabia
POSCO Engineering and Construction Co. Ltd	Manufacturing industry	38.00%	-	South Korea
Alinma Bank [(a)]	Banks	10.00%	3,236	Kingdom of Saudi Arabia
National Shipping Company of Saudi Arabia (Bahri)	Materials	22.55%	3,601	Kingdom of Saudi Arabia
Al Elm Information Security Company (Elm)	Software & Services	100.00%	-	Kingdom of Saudi Arabia
Arab Satellite Communications Organization ("Arabsat")	Satellite Operator	36.66%	-	Kingdom of Saudi Arabia
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	Utilities	24.81%	-	Kingdom of Saudi Arabia
Southern Province Cement Company	Materials	37.43%	4,418	Kingdom of Saudi Arabia
Minerva S.A.	Agricultural sector	33.83%	1,358	Brazil
Shuaibah Water and Electricity Company (SWEC)	Utilities	32.00%	-	Kingdom of Saudi Arabia
Saudi Arabian Industrial Investment Company (Dussur) [(b)]	Capital Goods	50.00%	-	Kingdom of Saudi Arabia

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Investments in associates: (continued)

Associate	*Industry Group*	*Percentage of ownership*	*Fair value of ownership (if listed)*	*Principal place of business*
Saudi Information Technology Company (SITE)	Software & Services	100.00%	-	Kingdom of Saudi Arabia
Qassim Cement Company	Food & Beverages	23.35%	1,703	Kingdom of Saudi Arabia
Air Liquide Arabia (ALAR)	Services	35.00%	-	Kingdom of Saudi Arabia
Commercial Real Estate Markets Company	Real Estate	60.00%	-	Kingdom of Saudi Arabia
Shuqaiq Water and Electricity Company (SWQEC)	Utilities	32.00%	-	Kingdom of Saudi Arabia
Fund of Funds Company	Diversified Financials	100.00%	-	Kingdom of Saudi Arabia
National Agricultural Development Company (NADEC)	Food & Beverages	20.00%	606	Kingdom of Saudi Arabia
Riyadh Holding Company	Real Estate	16.67%	-	Kingdom of Saudi Arabia
Bidaya Home Financing Company	Real Estate Finance	22.22%	-	Kingdom of Saudi Arabia
Saudi Fisheries Company	Diversified Financials	40.00%	878	Kingdom of Saudi Arabia
Taqa Al-Rushaid for Marine Works Company Limited (TAM)	Services	50.00%	-	Kingdom of Saudi Arabia
GCC Electrical Equipment Testing Laboratory	Capital Goods	20.00%	-	Kingdom of Saudi Arabia
Middle East Propulsion Company Ltd (MEPC)	Aircraft Repair Maintenance & Operations (MRO)	33.70%	-	Kingdom of Saudi Arabia
Oliden	Services	35.00%	-	USA
Daawat Foods Limited	Agricultural sector	29.51%	-	India
Al-Ahli Takaful Company	Insurance	29.90%	582	Kingdom of Saudi Arabia
Shuaibah Expansion Holding Company (SEHCO)	Utilities	32.00%	-	Kingdom of Saudi Arabia
OPT Petroleum Technologies Company Limited (OPTC)	Services	25.00%	-	China
Jasara Program Management Company	Consumer Services	40.00%	-	Kingdom of Saudi Arabia
ArcelorMittal Tubular Products Al-Jubail Company	Capital Goods	42.24%	-	Kingdom of Saudi Arabia
Hummingbird Technologies Limited	Agricultural sector - Agritech	15.89%	-	United Kingdom
ASMA Capital	Diversified Financials	20.00%	-	Bahrain
Virgin Mobile Saudi Consortium ("VMSC")	Mobile Virtual Network Operation	10.00%	-	Kingdom of Saudi Arabia
Arabian Industrial Fibers Company (Ibn Rushd) [(b)]	Materials	33.51%	-	Kingdom of Saudi Arabia
Saudi Heritage Hospitality Company	Consumer Services	15.00%	-	Kingdom of Saudi Arabia

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.5 Investments in associates: (continued)

(a) The ownership percentages for Samba Financial Group and Alinma Bank 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) 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 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.

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.6 Summarized financial information for associates:

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], [c]	5,373	30,950	(7,194)	(21,728)	6,869 [d]	**5,866**
POSCO Engineering and Construction Co. Ltd	15,461	7,915	(10,281)	(2,517)	9,931[d]	**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**
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 [d]	**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)

10.6 Summarized financial information for associates: (continued)

Associate	*Revenue*	*Profit (loss) attributable to shareholders*	*Other comprehensive income (loss)*	*Dividends received*	*Group's share of profit / (loss)*	*Group's share of other comprehensive income (loss)*
Saudi Electricity Company (SEC)	68,709	3,026	(710)	23	1,036	(533)
Samba Financial Group	9,425	4,201	(272)	321	983	(64)
Riyad Bank	11,205	4,715	719	359	1,026	156
International Company for Water & Power Projects (ACWA)	4,829	883	(1,557)	901	245	(306)
POSCO Engineering and Construction Co. Ltd	24,841	799	(19)	24	304	(7)
Alinma Bank	5,734	1,966	14	-	198	2
National Shipping Company of Saudi Arabia (Bahri)	8,393	1,571	(6)	178	354	(2)
Al Elm Information Security Company (Elm)	2,466	307	1	-	307	1
Arab Satellite Communications Organization ("Arabsat")	846	56	71	17	(26)	28
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	6,092	267	(64)	25	65	(16)
Southern Province Cement Company	1,653	609	(6)	236	228	(2)
Minerva S.A.	18,104	650	(558)	41	144	(131)
Shuaibah Water and Electricity Company (SWEC)	1,051	298	(21)	53	98	(7)
Saudi Arabian Industrial Investment Company (Dussur)	-	(119)	0	-	(31)	-
Saudi Information Technology Company (SITE)	431	(133)	(2)	-	(133)	(2)
Individually immaterial associates	10,888	(503)	(130)	149	202	(37)
Total				**2,327**	**5,000**	**(920)**

(All amounts in million SAR unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

10.6 Summarized financial information for associates: (continued)

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

(b) During the year, the Group acquired additional stake of 25.02% in ACWA from previous shareholders of ACWA at an average price of SAR 21.72 per share and total consideration of SAR 3,509 million. This did not result in the Group obtaining control of ACWA.

(c) During the year, 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.

(d) 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:

	ACWA	POSCO	Minerva
Equity attributable to shareholders of the associates	**6,869**	**9,931**	**829**
The Group's share in net assets of the associates	3,435	3,774	211
Allowance for impairment loss recognized	-	(497)	
Goodwill	2,431	-	781
Movements during the years	-	-	172
Translation and other adjustments	-	(187)	-
Carrying amount of the Group's interest in the associates	**5,866**	**3,090**	**1,164**

(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 4,092 million.

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX

11.1 Zakat and income tax expense

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

11.2 Income taxes charged to other comprehensive income

	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:	
Remeasurement gain/(loss) on employees' defined benefits obligations	1
Total	**(33)**

11.3 Zakat and income tax payable

	2020
Zakat provision	4,244
Current income tax provision	52
Total	**4,296**

11.4 The movement in Zakat provision is as follows:

	2020
As at 1 January 2020 (unaudited)	3,399
Charge during the year	3,286
Change in provision related to prior years	34
Amount paid during the year	(2,475)
At 31 December 2020	**4,244**

11.5 The movement in Income tax provision is as follows:

	2020
As at 1 January 2020 (unaudited)	49
Charge during the year	55
Changes in estimates related to prior years	(6)
Amount paid during the year	(46)
At 31 December 2020	**52**

(All amounts in million SAR unless otherwise stated)

11. ZAKAT AND INCOME TAX (continued)

11.6 The movements in deferred tax assets and liabilities is as follows:

	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)	-	-
Carried forward tax losses	-	-	(7)	-	(7)
Others	(6)	5	-	-	(1)
Sub-total (B)	**1,014**	**170**	**(29)**	**-**	**1,155**
Net Deferred tax liability (A-B)	**(337)**	**20**	**33**	**(25)**	**(309)**

11.7 Tax losses carried forward for which no deferred tax is recognized

	Amount	*Expiry period*
Expire	352	[2035-2040]
Never expire	408	

- A subsidiary of the Group has received zakat assessments that include differences related to the zakat declarations submitted by the subsidiary for the years from 2015 to 2017 amounting to SAR 865 million, and the Group, through its subsidiary 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)

12. INVENTORIES

	2020
Finished Goods	4,093
Spare parts	3,077
Work-in-progress	1,086
Raw materials	941
Stockpiles of mined ore	336
By-products	2
	9,535
Less: Provision for obsolete and slow-moving inventories, net	(532)
Total	**9,003**
Disclosed as:	
Non-current	195
Current	8,808
Total	**9,003**

12.1 The movement in allowance for obsolete and slow-moving inventories, net is as follows:

	2020
As at 1 January 2020	560
Add: Charge during the year	24
Less: Reversal during the year	(52)
At 31 December 2020	**532**

12.2 Other disclosures related to inventories:

(a) During 2020, SAR 36 million was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

(b) Reversal during the year includes SAR 3.9 million pertaining to discontinued operations.

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.

(All amounts in million SAR unless otherwise stated)

13. DERIVATIVES (continued)

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.

The table below shows the positive and negative fair values of derivative financial instruments together with notional amounts analysed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor of the credit risk.

13.1 Derivatives held for trading

			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
Equity options	224	2	1,203	-	1,203
Currency options	74	-	835	-	835
Foreign exchange options	12	13	1,398	97	1,495
Currency swap	4	-	8	296	304
Equity and commodity contracts, options, caps and floors: purchased and written	198	249	257	17,312	17,569
Total derivatives held for trading	**9,329**	**8,588**	**150,145**	**303,626**	**453,771**

(All amounts in million SAR unless otherwise stated)

13. DERIVATIVES (continued)

13.2 Derivatives held as cash flow hedges

	Derivative assets – fair value	*Derivative liabilities – fair value*	*Notional amounts*		
			Less than 1 year	*More than 1 year*	*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**

13.3 Derivatives held as fair value hedges

	Derivative assets – fair value	*Derivative liabilities – fair value*	*Less than 1 year*	*More than 1 year*	*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

	2020
Fair value of derivative assets	
Non-current	9,373
Current	207
Sub-total (A)	**9,580**
Fair value of derivative liabilities	
Non-current	11,687
Current	827
Sub-total (B)	**12,514**
Net fair value of derivatives (A – B)	**(2,934)**

13.5 Other disclosure related to derivatives:

(a) The average fixed interest rate on the interest rate swaps designated as cash flows hedges ranged between 2.99% and 6.14%.

(b) The net gain on derivative instruments at fair value through profit or loss primarily relates to SAR 656 million arising from early termination of equity and call options.

(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 USD 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**

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. If the accelerated payment is made by Aramco, it will reduce the principal amount that would otherwise be receivable on or before April 2026 by SAR 11,250 million and the loan charge in April 2022 will be reduced from SAR 1,875 million to SAR 750 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 book value of SABIC amounted to SAR 110,277 million.

Details of the book 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
Book 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 amounted to SAR 1,699 million. Further, the Group paid SAR 277 million expenses on this transaction.

(All amounts in million SAR unless otherwise stated)

14. PROMISSORY NOTES (continued)

14.2 The movement of Aramco promissory notes

	2020
Initial carrying value	259,125
Payment received during the period	(26,250)
Total amount of outstanding installments	**232,875**
Interest for the period	3,026
Carrying value of Aramco promissory notes at 31 December	**235,901**
Disclosed as:	
Non-current	217,151
Current	18,750
Total	**235,901**

15 INVESTMENT SECURITIES

15.1 Classification of Group's investments

	2020
Measured at fair value through profit or loss (FVTPL)	
Equity, mutual funds, hedge funds and others	395,437
Fixed rate debt securities	9,753
Investment securities measured at FVTPL (A)	**405,190**

	2020
Measured at fair value through other comprehensive income (FVOCI)	
Equity	76,108
Fixed rate debt securities	42,682
Floating rate debt securities	15,685
Sub-total	134,475
Less: Allowance for impairment (ECL)	(113)
Investment securities measured at FVOCI (B)	**134,362**

	2020
Measured at amortized cost	
Fixed rate debt securities	149,394
Floating rate debt securities	26,847
Sub-total	176,241
Less: Allowance for impairment (ECL)	(309)
Investment securities measured at amortized cost (C)	**175,932**
Total investment securities (A+B+C)	**715,484**
Disclosed as:	
Non-current	548,643
Current	166,841
Total	**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

	2020
Equities and investment funds	471,546
Sukuk issued by others	104,962
Sukuk issued by Government	54,570
Sukuk issued by banks and financial institutions	3,801
Certificates of deposit	1,764
Other securities	78,841
Total investment securities	**715,484**

Other securities mainly comprise of investments in preferred shares of SoftBank Vision Fund amounting to SAR 71,455 million.

15.3 The currency analysis of the investment securities, net of impairment

	2020
USD	383,819
SAR	234,155
GBP	9,370
EUR	42,728
Other currencies	45,412
Total investment securities	**715,484**

Other currencies mainly comprise of Japanese Yen, Indian Rupee, Canadian Dollar and Hong Kong Dollar.

15.4 The geographic analysis of the Group's investment securities, net of impairment

	2020
Kingdom of Saudi Arabia	283,767
United States of America	247,728
Europe	91,150
Gulf Cooperation Council	19,362
Others	73,477
Total investment securities	**715,484**

Others mainly include investments in the Republic of India, 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 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 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	(115)	115	-	-
Translation differences	152	-	-	152
At 31 December 2020	**174,553**	**1,482**	**206**	**176,241**

There were no transfers from and to Stage 3 during the year.

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.5 Disclosures for debt securities carried at amortized cost (continued)

(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 2020 (unaudited)	36	78	206	320
Net impairment charge (reversal)	12	(23)	-	(11)
At 31 December 2020	**48**	**55**	**206**	**309**

There were no transfers between stages during the year.

(c) Analysis of unrealized revaluation gains/(losses) and fair value of net investments held at amortized cost:

	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**

15.6 Disclosures for debt securities carried at FVOCI

(a) The movement of changes in the gross amount 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 2020 (unaudited)	57,889	890	-	58,779
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	**57,108**	**1,259**	**-**	**58,367**

There were no transfers from and to Stage 3 during the year.

(b) An analysis of changes in expected credit loss allowance for debt instruments carried at FVOCI:

	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)	59	28	-	**87**
Net impairment charge	25	1	-	**26**
At 31 December 2020	**84**	**29**	**-**	**113**

There were no transfers between stages during the year.

(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

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

	2020	
	Quoted	*Unquoted*
Measured at FVTPL		
Equity, mutual funds, hedge funds and others	76,295	319,142
Fixed rate debt securities	764	8,989
Investment securities measured at FVTPL (A)	**77,059**	**328,131**
Measured at FVOCI		
Equity	56,178	19,930
Fixed rate debt securities	41,841	841
Floating rate debt securities	8,385	7,300
Sub-total	106,404	28,071
Less: Allowance for impairment (ECL)	-	(113)
Investment securities measured at FVOCI (B)	**106,404**	**27,958**
Measured at amortized cost		
Fixed rate debt securities	60,616	88,778
Floating rate debt securities	21,010	5,837
Sub-total	81,626	94,615
Less: Allowance for impairment (ECL)	(66)	(243)
Investment securities measured at amortized cost (C)	**81,560**	**94,372**
Total investments securities (A+B+C)	**265,023**	**450,461**

15.9 Other disclosures related to investment securities:

(a) During 2020, fixed rate bonds and sukuk carry annual interest rates ranging from 1.7% to 7.5%.

(b) During 2020, floating rate bonds and sukuk carry annual interest margins of 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.

(d) Some of the sukuk held as investment securities are classified as FVTPL as these sukuk are tier 1 instruments with no contractual maturity.

(All amounts in million SAR unless otherwise stated)

15. INVESTMENT SECURITIES (continued)

15.9 Other disclosures related to investment securities: (continued)

(e) Investments held at amortized cost include investments amounting to SAR 4,145 million which are held under a fair value hedge relationship. As at 31 December 2020, the fair value of these investments amounts to 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 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 2020, securities amounting to SAR 4,488 million have been lent to counterparties under securities lending transactions.

16. OTHER ASSETS

	2020
Financial assets	
Loans and advances (Note 16.1)	16,579
Margin deposits against derivatives and repos (Banking and financing operations)	12,238
Receivables from affiliated entities	5,670
Receivables from associates and joint ventures (Note 16.2)	5,226
Loan and advances to employees	1,318
Advances for investment in other entities	636
Government grant receivables	178
Other financial assets	2,889
Sub-total	**44,734**
Less: Allowance for expected credit loss (16.7)	(6,183)
Total financial assets (A)	**38,551**
Non-financial assets	
Contract assets (Note 16.3)	12,508
Advances and deposits given to contractors and suppliers	11,685
Gold deposits	3,333
Contract fulfillment cost	2,831
Assets purchased under Murabaha arrangements (Note 16.4)	2,729
VAT Receivables	1,392
Other real estate (Note 16.5)	1,205
Service concession assets (Note 16.6)	1,059
Prepaid expenses	1,167
Other non-financial assets	2,662
Sub-total	**40,571**
Less: Allowance for impairment (16.8)	(1,228)
Total non-financial assets	**39,343**
Total other assets (A + B)	**77,894**
Disclosed as:	
Non-current	43,428
Current	34,466
Total	**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).

	2020
Loans and advances	16,579
Less: Allowance for expected credit loss	(214)
Loans and advances, net	**16,365**

16.2 Receivables from associates and joint ventures

	2020
Receivables from associates and joint ventures	5,226
Less: Allowance for expected credit loss	(287)
Receivables from associates and joint ventures, net	**4,939**

16.3 Contract assets

	2020
Contract assets	12,508
Less: Allowance for expected credit loss	(665)
Contract assets, net	**11,843**

16.4 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.

16.5 Other real estate

	2020
As at 1 January 2020 (unaudited)	1,463
Additions	137
Disposal	(200)
Foreign currency translation adjustment	(195)
Sub-total	**1,205**
Less: Allowance for expected credit loss	(240)
At 31 December 2020	**965**

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.

(All amounts in million SAR unless otherwise stated)

16. OTHER ASSETS (continued)

16.6 Service concession agreements (continued)

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 2020, assets are still under construction and are recognized as other assets in the consolidated statement of financial position with corresponding service concession liabilities. Subsequent to the year end, when assets are completed and ready for use, they will be measured at fair value and depreciated over the life of the project and the related liabilities under the project will be amortized over the life of the project.

16.7 The movement in the allowance for expected credit losses of other financial assets during the year:

	2020
As at 1 January 2020 (unaudited)	6,240
Add: Reversals during the year	(57)
At 31 December 2020	**6,183**

16.8 The movement in the allowance for impairment of other non-financial assets during the year:

	2020
As at 1 January 2020 (unaudited)	637
Add: Charge during the year	680
Less: Write off during the year	(89)
At 31 December 2020	**1,228**

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

	Corporate	*Consumer and credit card*	*International*	*Others**	*Total*
Details of the gross carrying amount					
Performing Financing and Advances	144,016	180,902	38,991	21,170	**385,079**
Non-performing Financing and Advances	4,998	616	1,906	2	**7,522**
Gross financing and advances	**149,014**	**181,518**	**40,897**	**21,172**	**392,601**
Less: Allowance for impairment (ECL)	(6,624)	(1,460)	(1,691)	(72)	**(9,847)**
Financing and advances, net	**142,390**	**180,058**	**39,206**	**21,100**	**382,754**

* Others include financing to financial institutions.

	2020
Disclosed as:	
Non-current	354,655
Current	28,099
	382,754

(All amounts in million SAR unless otherwise stated)

17. FINANCING AND ADVANCES (continued)

17.2 The breakdown of the financing and advances by economic sector risk concentrations

	2020
Consumer and credit cards	181,518
Commerce	39,353
Trading and service sector	37,829
Manufacturing	29,152
Electricity, water, gas and health services	19,508
Real estate and construction	18,435
Transportation and communication	18,420
Banks and other financial institutions	15,951
Government and Quasi government	8,464
Mining	8,046
Oil and petrochemical	7,018
Agriculture and fishing	1,362
Other services	7,545
Gross financing and advances	**392,601**
Less: Allowance for impairment (ECL)	(9,847)
Financing and advances, net	**382,754**

17.3 The ageing of the gross performing financing and advances

	Corporate	*Consumer and credit card*	*International*	*Others**	*Total*
Neither past due nor impaired	142,212	176,833	36,737	20,795	**376,577**
Past due but not impaired					
Less than 30 days	532	2,610	136	375	**3,653**
30-59 days	256	996	86	-	**1,338**
60-89 days	1,016	463	2,032	-	**3,511**
Total past due, not impaired	1,804	4,069	2,254	375	**8,502**
Total performing financing and advances	**144,016**	**180,902**	**38,991**	**21,170**	**385,079**

17.4 The detailed movement of the gross financing and advances and movement in ECL, on a consolidated basis and product-wise:

(a) Movement of changes in gross carrying amount by stage – Consolidated

	2020				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2020	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 2020	**362,719**	**22,362**	**7,520**	**-**	**392,601**

(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 and product-wise: (continued)

(b) Movement of changes in ECL amount by stage – Consolidated

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January 2020	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 2020	**1,831**	**2,613**	**5,403**	**-**	**9,847**

17.5 Other disclosures related to financing and advances:

(a) Financing and advances include financing products in compliance with Shari'a rules mainly Murabaha, Tayseer and Ijara amount to SAR 327,023 million. Allowance for financing losses (ECL allowance) related to the financing products in compliance with Sharia rules is SAR 8,683 million.

(b) The financing and advances include gross finance lease receivables (including Ijara in compliance with Shari'a rules) amounting to SAR 54,993 million, unearned finance income on finance lease amounting to SAR 11,478 million (net amounting to SAR 43,515 million). Allowance for uncollectable finance lease receivables included in the allowance for expected credit losses amounts to SAR 423 million.

(c) The carrying amount of restructured facilities as of 31 December 2020 is SAR 195 million.

(d) The fair value of collateral that the Group holds relating to financing and advances classified under Stage 2 at 31 December 2020 amounts to SAR 291 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 2020 amounts to SAR 720 million.

(e) During the year, the Group purchased retail Murabaha portfolios from the Public Pension Agency amounting to SAR 3,359 million and Ijara receivables portfolios from certain local banks and financing companies amounting to SAR 1,059 million. As at 31 December 2020, the balance includes premium amounting to 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.

(f) Special commission income relating to non-performing financing and advances is SAR 252 million.

(All amounts in million SAR unless otherwise stated)

18. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

18.1 Banking and Financing Operations

	2020
Cash and balances with Central Banks	
Money market placements and current account	49,700
Short-term statutory deposits	24,197
Cash on hand	7,585
Total cash and balances with Central Banks	**81,482**
Due from banks and other financial institutions, net	
Money market placement	27,885
Current account	6,627
Reverse repurchase agreement	5,326
	39,838
Less: Allowance for impairment (ECL)	(3)
Total due from banks and other financial institutions	**39,835**
Total (A)	**121,317**

18.2 Non-Banking and Financing Operations

	2020
Cash on hand	57
Cash at banks	76,628
Balances with other financial institutions	2,704
Islamic Murabaha deposits (less than 3 months)	10,403
Deposits with banks (less than 3 months)	39,886
Deposits with banks (more than 3 months)	13,704
Islamic Murabaha deposits (more than 3 months)	7,037
Accrued interest on term deposits	6
	150,425
Less: Allowance for impairment (ECL)	(2)
Total (B)	**150,423**
Total cash and deposits with banks and other financial institutions (A + B)	**271,740**
Disclosed as:	
Non-current	13,631
Current	258,109
Total	**271,740**

18.3 For the purpose of the consolidated statement of cash flows, cash and cash equivalent

	2020
Total cash and deposits with banks and other financial institutions	271,740
Less: Statutory deposits	(24,197)
Less: Restricted balances	(340)
Less: due from banks and financial institutions with original maturity more than 3 months	(13,174)
Less: Short term deposits, Murhabas and other certificates with original maturity more than 3 months	(20,741)
	213,288
Cash and cash equivalent related to discontinued operations	64
Cash and cash equivalent	**213,352**

(All amounts in million SAR unless otherwise stated)

18. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)

18.4 The movement for ECL allowance:

	2020				
	Stage 1	***Stage 2***	***Stage 3***	***POCI***	***Total***
As at 1 January 2020	6	-	-	-	6
Net impairment reversal	(1)	-	-	-	(1)
At 31 December 2020	**5**	**-**	**-**	**-**	**5**

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 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 at range from 0.20% to 5%.

(c) The Group has SAR 340 million in restricted cash with local banks as follows:
- SAR 135 million is related to the employees' saving plan obligations;
- SAR 98 million comprising of escrow deposits for the construction of a plant, escrow deposits for a lease, customer reservations for electric vehicles and a deposit against a letter of credit;
- SAR 58 million with banks for advances received from customers against sale of development properties which are deposited into escrow accounts; and
- 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. The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

19. TRADE RECEIVABLES

	2020
Trade receivables from customers	7,654
Receivables from Government and Government related entities	27,942
	35,596
Less: Allowance for expected credit losses	
Trade receivables from customers	(2,789)
Receivables from Government and Government related entities	(1,042)
Total	**31,765**

19.1 The movement in the allowance for expected credit losses of trade receivables:

	2020
As at 1 January 2020 (unaudited)	3,399
Add: Charge during the year	1,519
Less: Reversal during the year	(1,087)
At 31 December 2020	**3,831**

(All amounts in million SAR unless otherwise stated)

20 ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS

The following are the assets and liabilities that are classified as held for sale.

	2020	
	Assets held for sale	***Liabilities relating to assets held for sale***
Jubail Energy Services Company ("JESCO") (Note 20.1)	2,295	1,135
Hanmi for Project Management (Hanmi) (Note 20.2)	6	12
Other assets classified as held for sale (Note 20.4)	1,002	-
Total	**3,303**	**1,147**

The following are the results of the discontinued operations:

	2020	
	Profit/(loss) for the year/period	***Other comprehensive income***
Jubail Energy Services Company ("JESCO") (Note 20.1)	(400)	(2)
Hanmi for Project Management (Hanmi) (Note 20.2)	(4)	-
Saudi Basic Industries Corporation (Note 20.3)	145,528	(1,083)
Total	**145,124**	**(1,085)**

20.1 Sale of Jubail Energy Services Company ("JESCO")

As at 31 December 2020, the Group held 78.55% equity interest in JESCO through one of its subsidiaries. In 2019, the Subsidiary's management initiated the process of seeking potential strategic partners for its investment in JESCO. In September 2020, the Group agreed to accept an offer from a potential buyer (a related party), wherein the Group was required to acquire the entire remaining non-controlling interest in JESCO and transfer 100% of the interest in JESCO to the buyer. The agreed purchase consideration for relinquishing 100% equity interest in JESCO is SAR 300 million, subject to adjustments, which includes settlement of short-term advances provided by the Group to JESCO. Subsequently, the Group signed a sale agreement with the buyer subject to certain conditions precedent (CPs) and the Group has, accordingly, classified the assets and liabilities relating to JESCO as held-for-sale as at the reporting date. The following are the CPs that are required to be complied before the transfer of interest in JESCO:

- the buyer will proceed with the transaction only if it could acquire 100% of shares in JESCO;
- the buyer will obtain a resolution of approving the transaction in its general assembly;
- the Group will purchase outstanding shares of non-controlling interests and transfer them to the buyer together with the shares owned by the Group;
- the Group will be released from all corporate guarantees provided on behalf of JESCO; and
- the Group will assign shareholder loans previously provided to JESCO to the buyer.

The Group expects the CPs to be met in 2021. In addition to the above CPs, the sale agreement is also subject to regulatory approvals, consent from JESCO's lenders and other ancillary matters.

During 2020, the Group has acquired additional equity interest in JESCO from one of the non-controlling shareholders for SAR 64 million. The share in net assets represented by such additional equity interest amounted to SAR 8 million and accordingly the remaining amount of SAR 56 million has been charged to equity, being a transaction with a non-controlling interest.

Based on the terms mentioned above, the Group's management has assessed the fair value, less costs to sell, of its investment in JESCO to be SAR 216 million resulting in an impairment loss of SAR 245 million as of the reporting date.

(All amounts in million SAR unless otherwise stated)

20. ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS (continued)

20.1 Sale of Jubail Energy Services Company ("JESCO") (continued)

(a) Results for the discontinued operation of JESCO are presented below:

	2020
Revenue	538
Expenses	(677)
Loss before tax for the year	**(139)**
Tax expenses	(16)
Loss after tax for the year	**(155)**
Impairment loss recognized on the remeasurement to fair value less costs to sell	(245)
Loss for the year from discontinued operations	**(400)**
Remeasurement loss on employees' defined benefit obligations	(2)
OCI from discontinued operations	**(2)**

(b) Assets and liabilities classified as held for sale relating to JESCO:

	2020
Assets	
Property, plant and equipment (adjusted for fair value adjustments of SAR 235 million)	1,491
Intangible assets (adjusted for fair value adjustments of SAR 3 million)	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)	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:

	2020
Net cash outflow from operating activities	(97)
Net cash outflow from investing activities	(24)
Net cash inflow from financing activities	150
Net cash inflow	**29**

(All amounts in million SAR unless otherwise stated)

20. ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS (continued)

20.2 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. The sale of Hanmi is expected to be completed within a year from the reporting date. 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.

(a) Results for the discontinued operation of Hanmi are presented below:

	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)**

(b) The net cash inflows (outflows) from Hanmi are, as follows:

	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.

20.3 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)**

(All amounts in million SAR unless otherwise stated)

20. ASSETS HELD FOR SALE – DISCONTINUED OPERATIONS (continued)

20.3 Sale of SABIC (continued)

(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.

20.4 Other assets classified as held for sale

As at 31 December 2020, the Group has classified the following as assets held for sale:

	2020
Investment properties	985
Property, plant and equipment	17
	1,002

The Group has recognized impairment losses amounting to 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.

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 discussed 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 reserve

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, subsidiaries, associated companies, joint ventures, key management personnel including directors of the Fund, and entities 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.

For the purpose of the related party disclosure, the Group has complied with the disclosure requirements in respect to currently serving Members of Management Level Committees and their close family members only, but not in respect to the Members of Board of Directors and their close family members and Members of Board Level Committees' 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 2020, 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 as on the year ended 31 December 2020

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.

	Government, semi-Government and other entities with Government ownership or control	*Associates*	*Joint ventures*	*Total*
Cash and deposits with banks and other financial institutions	1,457	42,637	-	**44,094**
Financing and advances	242	3,085	45	**3,372**
Investment securities	685	6,406	-	**7,091**
Trade receivables	27,052	400	47	**27,499**
Other assets	1,338	1,555	3,631	**6,524**
Loans and borrowings	14,396	13,601	-	**27,997**
Trade and other payables	4,280	908	177	**5,365**
Customer deposits	1,436	729	95	**2,260**
Derivative financial instruments	-	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.

(All amounts in million SAR unless otherwise stated)

22. RELATED PARTY DISCLOSURES (continued)

22.2 Transactions with related parties for the year ended 31 December 2020

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:

	Government, semi-Government and other entities with Government ownership or control	*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 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 8 million and cost of that service is capitalized in inventory.

22.3 Transactions with key management personnel

The remuneration of key management personnel during 2020 includes short-term benefits amounting to SAR 52 million and post-employment benefits amounting to SAR 6 million.

In April 2021, Code of Conduct for the PIF Board of Directors and Board Committee Members (the "Code of Conduct") of the Fund became effective. The Code of Conduct is a guide for members of the PIF Board and PIF Board level Committees to assist them in the performance of their duties and responsibilities in a way the exemplifies the highest professional and governance standards. Based on reporting made by the PIF Board and PIF Board level Committees as the 30th June 2021, there are no balances that require disclosure as per IAS 24.

(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

	Saudi National Bank (SNB)[(a)]	*Saudi Telecom Company (STC)*	*Saudi Arabian Mining Company (Ma'aden)*	*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%	54.21%	35.42%	
Carrying value of NCI [(b)]	**47,460**	**20,438**	**16,977**	**4,804**	**991**	**4,071**
Summarized statement of financial position As at 31 December 2020						
Non-current assets	492,274	76,113	81,804	7,521	6,753	
Current assets	107,172	45,859	14,933	2,945	779	
Assets held for sale	-	-	-	2,312	6	
Non-current liabilities	(240,212)	(23,814)	(49,303)	(2,070)	(1,915)	
Current liabilities	(279,019)	(32,891)	(10,134)	(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)	(2,052)	22	
Net assets attributable to equity shareholder	**69,210**	**63,946**	**30,252**	**5,076**	**2,861**	
Net assets attributable to NCI[(c)]	**47,460**	**20,438**	**16,977**	**4,804**	**991**	**4,071**
Summarized results for year ended 31 December 2020						
Revenue	22,496	58,953	18,580	3,235	500	
Profit for the year	11,560	11,185	(847)	(425)	(159)	
Other comprehensive income (OCI)	181	(531)	(225)	-	32	
Total comprehensive income	**11,741**	**10,654**	**(1,072)**	**(425)**	**(127)**	
Profit allocated to NCI	6,477	3,477	(707)	(219)	(68)	(436)
OCI allocated to NCI	5	(169)	(108)	1	11	2
Total comprehensive income allocated to NCI	**6,482**	**3,308**	**(815)**	**(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)

	Saudi National Bank (SNB)[(a)]	*Saudi Telecom Company (STC)*	*Saudi Arabian Mining Company (Ma'aden)*	*Industrialization Energy Services Company (Taqa)*	*Saudi Real Estate Company (Al Akaria)*
Summarized statement of cash flows for year ended 31 December 2020					
Net cash inflows (outflows) from operating activities	5,270	4,697	(1,922)	(47)	(188)
Net cash inflows (outflows) from investing activities	(10,664)	(17,945)	(1,547)	(642)	101
Net cash inflows (outflows) from financing activities	41,892	9,004	4,111	1,755	525
Net increase/(decrease) in cash and cash equivalents	**36,498**	**(4,244)**	**642**	**1,066**	**438**

(a) Non-controlling interest as at 31 December 2020 includes Tier 1 Sukuk bonds issued by Saudi National Bank (SNB) (formerly National Commercial Bank (NCB)) for an amount of SAR 8.2 billion, of which SAR 7 billion was issued in prior year(s). During 2020, the Bank through a Shariah compliant arrangement ("the arrangement") issued additional Tier 1 Sukuk (the "Sukuk"), amounting to SAR 2.2 billion. Further, the Bank also exercised the call option on its existing Tier 1 sukuk amounting to SAR 1 billion. These arrangements were approved by the board of directors of the Bank and regulatory authorities. These Sukuk are perpetual securities in respect of which there is no fixed redemption dates and represents an undivided ownership interest of the Sukuk-holders in the Sukuk assets, with each Sakk constituting an unsecured, conditional and subordinated obligation of the Bank classified under equity. However, the Bank shall have the exclusive right to redeem or call the Sukuk in a specific period of time, subject to the terms and conditions stipulated in the Sukuk Agreement. The applicable profit rate on the Sukuk is payable quarterly in arrears on each periodic distribution date, except upon the occurrence of a non-payment event or non-payment election by the Bank, whereby the Bank may at its sole discretion (subject to certain terms and conditions) elect not to make any distributions. Such non-payment event or non-payment election are not considered to be events of default and the amounts not paid thereof shall not be cumulative or compound with any future distributions. 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 4.69 billion

(b) The carrying value of NCI is before any intra-group eliminations. The total intra-group balance elimination related to NCI as at 31 December 2020 was SAR 3,535 million

(c) Net assets attributable to NCI include non-controlling interest at subsidiary level.

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS OBLIGATIONS

	2020
Types of employees' benefits	
Defined benefit liability (Note 24.1)	8,610
Employees' saving fund liability (Note 24.2)	254
Others	71
	8,935
Disclosed as:	
Non-current	7,471
Current	1,464
Total	**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 2020 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 the reporting date, the plan assets comprised a 37 per cent 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 OBLIGATIONS (continued)

24.1 Defined benefit plans (continued)

(c) Changes in the present value of net defined benefit liability

The movements in the 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:

	2020		
	Defined benefit liability	***Fair value of plan assets***	***Net defined benefit liability***
As at 1 January 2020 (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)
Foreign currency exchange difference	23	30	(7)
Total amount included in other comprehensive income	**796**	**66**	**730**
Other movements			
End of service benefits paid	(990)	(34)	(956)
Contributions paid by the employer	-	15	(15)
Others	(13)	-	(13)
Total other movements	**(1,003)**	**(19)**	**(984)**
At 31 December 2020	**9,442**	**832**	**8,610**

(c) Changes in the present value of net defined benefit liability (continued)

Plan assets comprises the following:

	2020
Investment funds	397
Equity instruments	311
Debt/Sukuk instruments	60
Real estate	51
Balance and deposits with banks	13
Total	**832**

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS OBLIGATIONS (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% to 8% per annum and a discount rate of 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 2020	
	1% Increase	***1% Decrease***
Discount rate	(864)	1,028
Salary increase rate	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	***2020***
2021	404
2022	372
2023	390
2024	429
2025	501
2026 and onward	9,729
Total	**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 5 years and 20 years.

(All amounts in million SAR unless otherwise stated)

24. EMPLOYEES' BENEFITS OBLIGATIONS (continued)

24.2 Employees' saving fund liability

(a) Employees' savings plan program

The movement in the employees saving fund- net is below:

	2020
As at 1 January 2020 (unaudited)	144
Contribution for the year	152
Paid during the year	(42)
At 31 December 2020	**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 will contribute 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

	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 2020 (unaudited)	125	6,598	694	694	2,895	11,006
Current year provision	211	226	85	6	10	538
Adjustments resulting from remeasurement and others	(4)	(1,517)	(42)	(58)	(714)	(2,335)
Net increase/decrease in provision	207	(1,291)	43	(52)	(704)	(1,797)
Settlement during the year	(121)	(402)	(1)	-	(79)	(603)
At 31 December 2020	**211**	**4,905**	**736**	**642**	**2,112**	**8,606**
Disclosed as:						
Non-current	-	742	736	46	1,457	2,981
Current	211	4,163	-	596	655	5,625
Total	**211**	**4,905**	**736**	**642**	**2,112**	**8,606**

25.1 Legal and regulatory provisions

The Group is party to number of legal and regulatory claims. The Group, after taking independent legal advice, has established provisions 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.

(All amounts in million SAR unless otherwise stated)

25. PROVISIONS (continued)

25.3 Mining related severance fee

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.

Severance fees are shown as part of cost of sales in the consolidated statement of profit or loss.

Provision for severance fees consists of:

	2020
Gold mines	210
Low grade bauxite	1
Total	**211**

The provision for severance fees payable by gold mines is calculated as follows:

	2020
Net income from operating mines before zakat and severance fee for the year	**945**
25% of the year's net income as defined	236
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	(19)
Net severance fee provision for the year	**210**

25.4 Provision for other liabilities and charges

Below is the breakdown of other liabilities and charges:

	2020
Legacy claims	1,442
Others	670
Total	**2,112**

The Group is liable to settle certain legacy claims pertaining to a project for one of its subsidiaries amounting to SAR 1,442 million. Such claims are being regularly assessed by the subsidiary's management and based on management's best estimate, a provision of SAR 1,442 million has been recorded in the statement of financial position as at 31 December 2020.

(All amounts in million SAR unless otherwise stated)

26. LOANS AND BORROWINGS

	2020
Banking operations (Note 26.1)	100,425
Non-banking operations (Note 26.2)	96,208
Total borrowings	**196,633**
Disclosed as:	
Non-current	117,546
Current	79,087
Total	**196,633**

26.1 Banking operations

	Notes	*2020*
Debt issued and borrowed funds	*(a)*	22,597
Due to banks and other financial institutions	*(b)*	77,828
Total loans and borrowings from banking operations		**100,425**
Disclosed as:		
Non-current		28,851
Current		71,574
Total		**100,425**

(a) ***Debt issued and borrowed funds***

Term loans from banks (i)	14,113
Bonds (ii)	5,953
Sukuk payable (iii)	2,531
	22,597

The movement in the debts issued and borrowed funds during the year is as follows:

	2020
As at 1 January 2020 (unaudited)	14,152
Additions/drawdowns	13,588
Repayments	(4,958)
Foreign exchange fluctuations	(185)
At 31 December 2020	**22,597**

(i) ***Term loans from banks***

Term loans and other conventional facilities amounting to SAR 9,847 million is repayable over the period up to 2028. These term loans and facilities carry a profit margin ranging from 0.18% to 0.85% over London Inter-bank Offered Rate (LIBOR).

Term loan includes Islamic facilities including Murabaha and Wakala amounting to SAR 3,733 million, which is repayable over the period up to 2025. These Islamic facilities carry a profit margin ranging from 1.09% to 2.45% over LIBOR or Saudi Arabian Interbank Offered Rate (SAIBOR).

Term loan facilities from Government related entities amounts to SAR 533 million, which is repayable over the period up to 2025, and carry a profit margin over SAIBOR.

(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)

(ii) ***Bonds***
Bonds amounting to SAR 5,953 million is issued with maturity period ranging from 1 year to 5 years. These bonds carry a profit margin ranging from 1.44% to 2.05% over LIBOR or SAIBOR.

(iii) ***Sukuk payable***
Non-convertible sukuk amounting to SAR 1,773 million is listed on the Borsa Istanbul, carrying a fixed profit rate between 11.63% to 17.30%. The maturity of these sukuk is less than one year and are payable on a semi-annual basis.

Sukuk includes various unsecured, non-convertible unlisted Sukuk amounting to SAR 758 million with maturity period ranging from 5 to 10 years. These debt securities carry a fixed profit rate, which ranges from 4.01% to 4.66% payable semi-annually.

	2020
(b) Due to banks and other financial institutions	
Current accounts	4,609
Money market deposits *(i)*	50,008
Repos *(ii)*	23,211
Total	**77,828**

(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

		2020
Bank borrowings	*(a)*	72,409
Loans from government related entities	*(b)*	11,516
Bonds and sukuk payable	*(c)*	10,070
Government loans	*(d)*	2,002
Bank overdraft		211
Total		**96,208**
Disclosed as:		
Non-current		88,695
Current		7,513
Total		**96,208**

(All amounts in million SAR unless otherwise stated)

26. LOANS AND BORROWINGS (continued)

26.2 Non-banking operations (continued)

The movement in borrowings from non-banking operations is as follows:

	2020
As at 1 January 2020 (unaudited)	130,634
Additions/drawdowns	16,663
Repayments	(49,047)
Conversion to capital by NCI	(260)
Foreign exchange fluctuations	135
Others	(260)
Related to discontinued operations	(1,657)
At 31 December 2020	**96,208**

(a) Bank borrowings

(i) The Group entered into a long-term agreement with a consortium of financial institutions dated September 2018 for a facility amounting to SAR 41,250 million. The facility carries a margin of 0.75% over LIBOR and is repayable in 2023.

(ii) The Group has entered into multiple Murabaha, Wakala and Tawarruq facility arrangements with a carrying value of SAR 21,387 million, as at 31 December 2020. These facilities are denominated in SAR, are repayable over a period from 2023 and 2032 and carry a margin of 0.8% to 1.65% over LIBOR and SAIBOR.

(iii) The Group has obtained Murabaha facilities from various financial institutions amounting to SAR 2,284 million. These Murabaha facilities are denominated in Malaysian Ringgit, Bahraini Dinar, Saudi Arabian Riyal and Kuwaiti Dinar, carry a margin of 0.25%-1.60% over Kuala Lumpur Interbank Offered Rate (KLIBOR), Bahrain Interbank Offered Rate (BHIBOR) or SAIBOR. Two of the above facilities carry an annual fixed interest rate of 2.10% and 3.75% respectively. These facilities are repayable over a period from December 2021 to November 2025.

(iv) The Group entered into a long term secured margin loan agreement with a carrying value as at 31 December 2020 of SAR 2,023 million, to purchase shares in the SoftBank Group Corporation. The loan carries a margin of 0.60% over the JPY LIBOR and is repayable in 2021.

(v) The Group has entered into a commercial loan arrangement amounting to SAR 1,460 million, denominated in USD, repayable in 2024 and carries a margin of 1.55% over LIBOR.

(vi) The Group has entered into long-term Murabaha facility agreements with three commercial banks to finance the capital expenditure towards machinery and equipment and for working capital requirements. As at 31 December 2020, the facilities have a carrying value of SAR 960 million and carry a margin ranging between 0.73% and 1.90% over SAIBOR. Certain facilities are repayable in 2024 and 2026.

(vii) The Group's subsidiary has entered into Tawarruq and Murabaha facilities with local banks, with a carrying value of SAR 820 million, for the purpose of constructing its office premises. These facilities are repayable in 2021 and carry fixed annual interest rates ranging between 1.88% and 2.82%.

(viii) The Group has outstanding loans amounting to SAR 777 million, of which certain facilities carry a margin between 1.25% to 9% over SAIBOR or LIBOR. Some facilities carry a fixed rate of interest ranging between 1.46% and 5%. These loans are repayable over a period from between 2021 and 2031.

(ix) Two facilities with a carrying value of SAR 742 million for the construction of projects carry a margin of 1% to 2% over SAIBOR and are repayable in 2026.

(x) Non-cash additions/drawdowns amounted to SAR 6,881 million. During the year, borrowings of SAR 260 million was converted to capital by NCI.

26. LOANS AND BORROWINGS (continued)

26.2 Non-banking operations (continued)

(b) Loans from government related entities

The Group's subsidiaries have obtained facilities from government related entities - the Public Pension Agency ("PPA"), the Saudi Industrial Development Fund ("SIDF") and the Agricultural Development Fund ("ADF").

(i) Loans from "PPA" with a carrying amount of SAR 6,546 million as at 31 December 2020, carries a margin of 1.5% over LIBOR. The loan is repayable in 27 semi-annual installments commencing from June 2022 with the final repayment scheduled in June 2035.

(ii) Three facilities from the SIDF with a total carrying amount of SAR 4,424 million, carry an annual interest of 1.7%. The maturities of these facilities range from July 2021 to October 2023.

(iii) The facility obtained from the ADF has a carrying value of SAR 546 million, carries an annual interest rate of 2.9% and is repayable over 10 annual equal installments.

(c) Bonds and sukuk payable

(i) A subsidiary of the Group has issued a domestic sukuk program with a maximum of SAR 500 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 2020 is 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 June 2024.

(ii) A subsidiary of the Group has 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 2020 is 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.

(iii) A subsidiary of the Group has entered into a Sukuk Facility Agreement ("SFA") with Sukuk facility participants. The carrying value of these sukuk as at the reporting date is SAR 3,398 million. The rate of commission on the principal amount is in the range of SAIBOR plus 1.35% per annum. The one-time repayment of this loan will be in February 2025.

(d) Government loans

(i) During 2015, one of the Group's subsidiaries signed a long-term loan agreement with Ministry of Finance for an amount of SAR 1.5 billion. This loan was obtained for the purpose of financing the construction of real estate projects. In May 2020, the Group restructured the loan under which the new facility amounted to SAR 1.3 billion reducing the original facility by SAR 200 million. This restructured loan is payable in 16 semi-annual instalments commencing from 1 January 2022, the last instalment is due in July 2029. The loan is subject to prevailing market interest rates of SAIBOR plus a profit margin. The Group management has fully utilized the loans proceeds for the Group's ongoing projects.

(ii) The Group has an outstanding interest-free loan amounting to SAR 700 million, to Ministry of Finance, 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.

(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:

	2020	
	Carrying value	***Fair value***
Held at FVOCI	19,513	19,513
Investment held at amortized cost	5,921	6,292
Total	**25,434**	**25,805**

(b) Margin deposit of 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 21,833 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 4,617 million are pledged as security to lenders (long-term borrowings) under the Common Terms Financing Agreement and security in respect of long-term borrowings received from SIDF.

(e) Investment properties with a carrying value of SAR 2,719 million. The long-term Islamic loan granted to the Group is secured by the Group's collateralized land.

(f) Certain Murabaha loans 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 2020, one of the Group's subsidiaries was not in compliance with certain of its loan covenants related to maintenance of certain financial ratios as per the loan agreements. A waiver has been obtained from the financing institution, in respect of such non-compliances.

As at 31 December 2020, another 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 SIDF. However, the subsidiary has obtained exemptions from SIDF 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 2020, there has been no non-compliance for any of the covenants other than those 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:

	2020
As at 1 January 2020 (unaudited)	8,218
Additions during the year*	2,714
Payments	(1,822)
Interest accrued	394
Remeasurements	238
Related to discontinued operation	(55)
Disposals	(597)
Translation differences	(59)
Rent concession and discount due to COVID-19	(1)
At 31 December 2020	**9,030**

*Additions include leases acquired through business combination amounting to SAR 28 million.

Disclosed as:	***2020***
Non-current	7,375
Current	1,655
Total	**9,030**

(b) Total cash outflows for leases for the year

	2020
Cash payment for the principal portion of the lease liability	1,546
Cash payment for the interest portion of the lease liability	276
Cash payment for the short term, low-value leases and variable lease payments not included in the measurement of the lease liability	495
	2,317

(c) Amounts recognized in the consolidated statement of profit or loss

	2020
Amortization expense of right-of-use assets	2,050
Interest expense on lease liabilities	389
Expenses relating to short-term leases	528
Net amounts recognized in consolidated statement of profit or loss	**2,967**

(d) Undiscounted maturity profile of lease liabilities

	2020
Less than three months	346
Between three months and 12 months	2,078
Between 1 year and five years	6,874
Above five years	5,401
	14,699

(e) Future cash outflow relating to non-cancellable lease contracts that have yet not commenced

	2020
Within 1 year	48
Between 1 year and five years	270
Above five years	94
	412

(All amounts in million SAR unless otherwise stated)

27. LEASE LIABILITIES (continued)

27.1 Group as a lessee (continued)

***(f)* Inputs used to measure lease liability**

	Details
Weighted average discount rate	1.12% to 5%
Range of discount rate	1% to 22.5 %
Years of maturity *(i)*	1 to 37 years
Year of maturity *(ii)*	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 maximise 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.

(g) 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 2,723 million. Lease income amounting to SAR 331 million has been recognized in the consolidated statement of profit or loss.

(a) Maturity analysis of undiscounted lease receivables:

	Minimum lease receivable 2020
Less than 1 year	362
1 to 2 years	112
2 to 3 years	82
3 to 4 years	48
4 to 5 years	20
Above 5 years	28
	652

(All amounts in million SAR unless otherwise stated)

28. DEFERRED GOVERNMENT GRANTS

	2020
As at 1 January 2020 (unaudited)	3,324
Received during the year	830
Released to the consolidated statement of profit or loss	(153)
At 31 December 2020	**4,001**
Disclosed as:	
Non-current	**3,947**
Current	**54**
Total	**4,001**

The details of the deferred government grant balance as at 31 December 2020 are as follows:

(a) Deferred government grants amounting to SAR 3,772 million as at 31 December 2020. 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 2020, the Group received a government grant amounting to SAR 183 million from the Ministry of Finance 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 is 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, the Group's banking and financing subsidiaries were required to defer payments for a total period of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Group's banking and financing subsidiaries effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months and then further deferring the installments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months with no additional costs to be borne by the customer.

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 are expected to incur under SAMA and other public authorities program, the Group has received in aggregate SAR 11,632 million of profit-free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Banking and financing subsidiaries determined, based on the communication with SAMA, that the profit-free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in an income of SAR 82 million that has been deferred as at 31 December 2020.

(d) Non-cash receipt of government grant amounted to SAR 59 million.

(All amounts in million SAR unless otherwise stated)

28. DEFERRED GOVERNMENT GRANTS (continued)

(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, 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.

(f) During the year 2020, one of the Group's subsidiary has recognized SAR 833 million as government grant income on account of balancing fund plan to fund its operational losses. In this respect the Group collected SAR 655 million during the year ended 31 December 2020. Management believes the remaining amount recognized during the year ended 31 December 2020 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.

29. TRADE AND OTHER PAYABLES

29.1 Financial Liabilities	***2020***
Accrued expenses and accounts payables (non-trade)	26,529
Trade payables	18,108
Payables for projects	11,073
Government payables	4,208
Staff-related payables	4,136
Capital supplier dues and retentions	3,650
Temporary SADAD accounts – Banking Operations	2,400
POS and credit card payable – Banking Operations	1,302
Accrued government fees	1,086
Dividend payable	760
Margin call payable – Banking Operations	620
Rebate payable to customers	200
Customer refundable deposits	73
Other financial liabilities	3,398
Sub-total (A)	**77,543**

29.2 Non-Financial Liabilities	***2020***
Deferred revenue/Contract liabilities	8,654
Advance from customers	3,596
Service concession liabilities	1,059
Allowance for indirect facilities- Banking and Financing Operations	338
VAT payables	183
Other non-financial liabilities	99
Sub-total (B)	**13,929**
Total trade and other payables (A + B)	**91,472**
Disclosed as:	
Non-current	11,207
Current	80,265
Total	**91,472**

(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

	2020	
	Islamic	***Conventional***
Current accounts	987	332,145
Time	46,830	50,551
Savings	733	899
Others	14,139	916
	62,689	**384,511**

	2020
Disclosed as:	
Non-current	191,999
Current	255,201
Total	**447,200**

30.2 The breakdown of customer deposits is as follows:

(a) Geographical segment

	2020
Kingdom of Saudi Arabia	387,406
Other countries	55,531
Other Gulf Cooperation Countries	4,263
	447,200

(b) Business segment

	2020
Retail	242,736
Corporate	126,035
Government	42,408
Others	36,021
	447,200

30.3 Details on foreign currency deposits included in customers' deposits as follows:

	2020
Current accounts	43,132
Time	47,481
Savings	103
Others	22
	90,738

The above includes Islamic deposits amounting to SAR 435 million.

30.4 Deposits held as collateral for irrevocable commitments and contingencies:

	2020
Letters of guarantee	4,196
Export letters of credit	769
Import letters of credit	30
	4,995

(All amounts in million SAR unless otherwise stated)

31 REVENUE

	2020
Banking Operations:	
Special commission income	21,275
Fee and commission income	3,273
Non-banking Operations:	
Revenue from telecommunication	58,388
Revenue from mining activities	18,598
Revenue from advance traffic management system and related activities	6,448
Revenue from educational services and projects	3,993
Revenue from drilling for oil and gas wells and related activities	3,235
Agriculture and livestock production and related services	999
Others *	6,524
Total	**122,733**

* Others primarily include:

- income from investments amounting to SAR 1,438 million,
- revenue from supply chain services for procurement and supply of medicines and related activities amounting to SAR 872 million,
- revenue from project management and consultancy services amounting to SAR 795 million,
- revenue from trading of securities and related activities amounting to SAR 781 million,
- revenue from aviation services amounting to SAR 530 million,
- revenue from waste management services amounting to SAR 472 million,
- rental revenue from investment properties amounting to SAR 338 million,
- revenue from facilities management services amounting to SAR 239 million, and
- revenue from energy savings amounting SAR 202 million.

31.1 Geographical markets based on location of the customers:

	2020
Gulf Cooperation Council -MENA	99,823
Indian subcontinent and Asia-pacific	6,227
Europe	7,604
North America	3,877
Africa	1,566
Australia	1,508
Latin America	1,109
Rest of the world	1,019
Total	**122,733**

31.2 Analysis and timing of revenue recognition

	2020
Special commission income, fee income and commission income relating to banking operations	24,548
Lease revenue	331
Revenue from contract with customers	
At a point in time	48,170
Over a period of time	49,684
	122,733

(All amounts in million SAR unless otherwise stated)

31. REVENUE (continued)

31.3 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020
Trade receivables (refer Note 19)	31,765
Contract assets (refer Note 16.3)	11,843
Contract liabilities (refer Note 29.2)	8,654
Receivables, which are included in 'discontinued operations'	124

Revenue recognized in the current period that was included in the contract liability balance at the beginning of the period amounts to SAR 3,387 billion.

32. COST OF REVENUE

	2020
Banking operations	
Special commission expense from banking operations	3,301
Fee and commission expenses	849
Non-Banking operations	
Costs of goods sold and related inventory costs	15,066
Depreciation, amortization and impairment of mine properties, PPE, investment properties, intangible assets, and right-of-use assets	13,227
Employees' salaries, wages and other staff related benefits	8,537
Operations, repairs and maintenance	5,788
Network access and other related charges - Telecommunication sector	5,695
Contracted services	4,450
Government charges and fees	3,949
Utilities - electricity, water, fuel, natural gas and other utilities	1,422
Amortisation and impairment of contract costs	269
Others *	3,706
Total	**66,259**

* Others primarily include lease expenses, consultancy fees, spares and consumables, transportation costs and other overheads.

33. OTHER OPERATING INCOME, NET

	2020
Income from FVTPL financial instruments, net	47,166
Dividend income	2,218
Net foreign exchange gain	1,184
Government grant income and amortization of government grant	894
Gain/income on non FVTPL financial instruments, net	873
Reversal of provision for contractor claims	698
Net gain on derivative instruments at fair value through income statement	656
Net gain on disposal of equity accounted investees	648
Impairment reversal on associates	639
Share of losses from associates and joint ventures*	(833)
Early Retirement Cost	(600)
Net loss on disposal/write-off of property, plant and equipment, investment properties and termination of right-of-use assets	(115)
Others**	(297)
Total	**53,131**

* Share of losses from associates and joint ventures represents losses recognized after the Group's investment in the associates and joint ventures are reduced to zero. These additional losses are provided for to the extent that the Group has a legal or constructive obligation or has made payments on behalf of the associates and joint ventures.

** Others primarily include supplier penalties, bank charges and other expenses.

(All amounts in million SAR unless otherwise stated)

34. SELLING AND DISTRIBUTION EXPENSES

	2020
Employees' salaries, wages and other staff related benefits	2,612
Advertising and publicity	712
Sales commissions	691
Amortization and impairment of contract costs and contract assets	355
Marketing fees	304
Freight and overheads	236
Sport activities sponsorship cost	225
Repairs and maintenance expenses	194
Call center expense	194
Warehouse and storage	106
Professional fees	74
Amortization and depreciation	49
Others*	469
Total	**6,221**

* Others primarily includes contracted services, consumables, security and safety, telephone and utility expenses, insurance expenses, handling costs, sponsorship costs and other selling and distribution expenses.

35. ADMINISTRATIVE EXPENSES

	2020
Employees' salaries, wages and other staff related benefits	12,942
Amortization and depreciation	4,670
Consultancy, legal and professional fees	3,549
Impairment of assets*	2,004
Research and development costs	1,384
Repairs and maintenance expenses	1,301
Contracted services	858
Overheads and other expenses	649
Lease expenses	602
Telephone and other communication expenses	470
Management and restructuring fee	444
Electricity, water and other utilities	309
Acquisition related transaction costs	277
Sponsorships and advertisement	258
Business travel	208
Donations	198
Impairment of other assets	197
Impairment provision on other real estate	184
Impairment of contract assets	181
SAMA Deposit Protection Fund (DPF) expenses	140
Information technology services	156
Security and safety	101
Training expense	124
Others**	922
Total	**32,128**

* Impairment of property, plant and equipment is net off of recovery of SAR 21 million.

**Others primarily include insurance premium, freight, handling, postage and courier expenses, branding, public relations expenses, exhibitions and conferences, subscriptions, spares and consumables, withholding tax and other expenses.

(All amounts in million SAR unless otherwise stated)

36. OTHER FINANCE COSTS

	2020
Interest expense on conventional borrowings from banks and financial institutions	1,529
Interest expense on Islamic borrowings from banks and financial institutions	553
Interest expense on sukuk	338
Interest expense on lease liabilities	315
Interest expense on loans from Government	164
Interest expense on loans from Saudi Industrial Development Fund	78
Interest expense on loans from Government related entities	58
Interest expense on Wakala	48
Others*	513
Total	**3,596**

* Others primarily include interest expense on revolving credit facility, Saudi Riyal procurement, US Dollar procurement, unwinding of decommissioning, site rehabilitation and dismantling obligations, amortization of transaction cost and settlement of accrued derivative interest.

37. OTHER FINANCE INCOME

	2020
Interest income/profit from investing activities	8,946
Interest income from banks (including time deposits, short-term deposits)	1,633
Interest income and profit earned from Government	116
Interest income and profit earned from associates and joint ventures	92
Others	30
Total	**10,817**

38. STAFF COSTS

	2020
Wages and salaries	17,189
Contribution to social insurance	1,270
Employees benefits obligations	1,063
Share based payment expense	160
Contribution to staff benefit schemes	108
Others*	4,495
Total	**24,285**

* Others include other indirect benefits such as housing allowance, education allowance, transportation allowance, medical insurance expenses, training expenses, employee related visa expenses and other benefits.

	2020
Allocated to:	
Cost of revenue	8,537
Administrative expenses	12,942
Selling and distribution expenses	2,612
Cost capitalized under PPE	194
Total	**24,285**

(All amounts in million SAR unless otherwise stated)

39. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2020
Impairment loss on financing and advances - net of recoveries	1,658
Impairment loss on Islamic financing and investment products – net of recoveries	1,559
Impairment loss on trade and other receivables – net of recoveries	1,528
Impairment (reversal) / loss on investment securities – net	15
Impairment (reversal) / loss on loans and receivables	(68)
Impairment (reversal) / loss on cash and deposits with banks – net	(1)
Total	**4,691**

40. COMMITMENT AND CONTINGENCIES

40.1 Commitments

(a) Investment commitments

The Group has the following contractual investment commitments as at 31 December:

	2020
Investment securities *(i)*	144,960
Investment in joint ventures	50
Total	**145,010**

(i) These commitments comprise of:
- Capital investments not yet called, amounting to SAR 72,567 million;
- Commitments with private investments, which are not yet called, amounting to SAR 71,268 million; and
- Agreement to invest in a fund relating to the telecommunication industry amounting to SAR 1,125 million.

(b) Capital commitments

The Group has the following contractual capital commitments:

	2020
Within one year	20,054
After one year but more than five years	19,642
More than five years	44
Total	**39,740**

As at 31 December 2020, the Group has committed to the following types of major capital expenditures:
- Capital projects amounting to SAR 13,071 million;
- Capital expenditure amounting to SAR 12,789 million;
- Project development activities amounting to SAR 6,629 million;
- Technology infrastructure amounting to SAR 4,175 million;
- Railway infrastructure amounting to SAR 1,832 million; and
- Committed capital calls amounting to SAR 1,156 million.

(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 amounting to SAR 237,458 million, as at 31 December 2020. 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

	2020
Financial guarantees	44,109
Letters of credit	11,960
Performance bonds	4,119
Third party claims	3,693
Customer acceptances	3,135
Others	757
Total	**67,773**

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 2020, the value of outstanding claims amounted to SAR 5,090 million and based on management's best estimate, a provision of SAR 1,440 million has been recorded in the statement of financial position as at 31 December 2020.

40.4 Undrawn loan commitments

	2020
Undrawn loan and Murabaha commitments	**16,486**

40.5 ECL on unfunded exposures

	2020
Unfunded exposure in stage 1	66
Unfunded exposure in stage 2	24
Total	**90**

(All amounts in million SAR unless otherwise stated)

41. 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:

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	-	-	-	77,543	77,543
Customer deposits	30	-	-	-	447,200	447,200
Derivative financial liabilities						
Derivatives	13	12,514	-	-	-	12,514
Total Financial Liabilities		**12,514**	**-**	**-**	**730,406**	**742,920**

Risk management framework and process at the Group level

Risk is inherent in the Group's activities. The Board of Directors of PIF and its subsidiaries have the overall responsibility for developing a general framework for risk management and controls relevant to the operation of the respective businesses. Risk management policies are being prepared with the aim of determining and analysing the risks faced by the respective businesses, for setting appropriate limits and regulations and for monitoring these risks as well as compliance with the set limits and regulations.

The Group's risk management framework takes into account the complexity of the Group's business operations and diversity of geographical locations. The Group's risk management framework is not intended to prescribe a specific process for risk management but rather to integrate risk management as a practice into each Group subsidiary's processes and according to each Group subsidiary's specific needs. The risk management functions of Group subsidiaries assist their respective management in actively managing the Group's overall risk.

The main financial risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into: foreign exchange risk, interest rate risk and price risk (equity and commodity). In the normal course of business, the Group has financial assets and financial liabilities such as cash and deposits with banks and other financial institutions, financing and advances, investment securities, trade receivables, other financial assets, debts issued and borrowed funds, customer deposits, derivative financial instruments and other financial liabilities, and as a result, the Group is exposed to the above risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)
41.1 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:

	2020
Financial Assets	
Non-derivative financial assets	
Promissory notes	235,901
Investment securities - debt	243,939
Other financial assets	38,551
Financing and advances	382,754
Trade receivables	31,765
Cash and deposits with banks and other financial institutions	264,098
Derivative financial assets	
Derivatives	9,580
Financial assets - Sub-total	**1,206,588**
Commitments and guarantees	
Letters of credit	11,960
Financial guarantees	44,109
Customer acceptances	3,135
Undrawn loan commitments	16,486
Total maximum credit exposure	**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.

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 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)

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 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		
	Stage 1	***Stage 2***	***Stage 3***
Due from banks and financial institutions			
Investment grade	32,308	-	-
Non-investment grade	6,336	-	-
Unrated	1,194	-	-
Gross carrying amount	**39,838**	**-**	**-**
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	75,867	265	206
Gross carrying amount	**174,553**	**1,482**	**206**
Debt investment securities at FVOCI			
Government Bonds, Sukuk and Treasury Bills	24,754	-	-
Investment grade	25,592	1,149	-
Non-investment grade	6,762	110	-
Gross carrying amount	**57,108**	**1,259**	**-**

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk (continued)

(c) Credit risk management (continued)

	Gross Carrying amount		
	Stage 1	***Stage 2***	***Stage 3***
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**

- **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 46). 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.

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 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).

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 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.

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 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.

- **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.

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)

41.1 Credit risk (continued)

(c) Credit risk management (continued)

- **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.

41.2 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.

(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:

	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	67,111	8,189	1,144	**77,543**
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**	**148,700**	**161,346**	**50,759**	**908,622**
Commitments						
Investment commitments	143,835	-	-	1,175	-	**145,010**
Commitments	1	13,726	30,652	12,998	1,827	**59,204**
Capital commitments	1,108	294	18,650	19,644	44	**39,740**
Undrawn loan commitments	6,111	-	335	4,080	5,960	**16,486**
Total	**151,055**	**14,020**	**49,637**	**37,897**	**7,831**	**260,440**

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.

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 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)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 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	*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 2020, 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 2020 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.

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.

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

- **Market risk – banking book (continued)**

***i)* Interest rate risk (continued)**

	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)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 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.

	Non-Derivative Financial Assets	*Non-Derivative Financial Liabilities*	*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:

	Fixed interest rate	*Variable interest rate*	*Total*
Liabilities			
Bank borrowings	-	13,580	**13,580**
Bonds and Sukuk payable	2,531	5,953	**8,484**
Loans from government related entities	-	533	**533**
Total	**2,531**	**20,066**	**22,597**

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*
Currency	
USD	894
TRY	2,162

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

- **Market risk – banking book (continued)**

***ii)* Currency risk (continued)**
The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2020 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.

Currency	*Increase/decrease in currency rate in %*	*Effect on profit before tax*	*Effect on equity*
TRY	+ 10%	24	281
TRY	- 10%	(24)	(281)

(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:

	Fixed interest rate	*Variable interest rate*	*Interest-free rate*	*Total*
Liabilities				
Bank borrowings	1,505	70,904	-	**72,409**
Loans from government related entities	4,970	6,546	-	**11,516**
Bonds and Sukuk payable	4,672	5,398	-	**10,070**
Government loans	-	1,302	700	**2,002**
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.

	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)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 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	***2020***
USD	29,475
EUR	1,510
GBP	145
Others	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**
  A subsidiary of the Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of the mineral products it produces, who 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 to the shareholders. All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the relevant 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:	
Phosphate	**1,315**
Aluminium	**953**
Gold	**184**

Commodity price sensitivity analysis
The table below shows the impact on profit before 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.

	Change in price	***Effect on profit before 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)**

(All amounts in million SAR unless otherwise stated)

41. FINANCIAL RISK MANAGEMENT (continued)

41.3 Market risk (continued)

(b) Market risk: Non-banking operations (continued)

- **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.

  Sensitivity of the equity price risk is determined based on the following assumptions:

Description	*Increase/decrease in currency rate in %*	*Effect on OCI*
Market index - (Tadawul)		
Impact of changes in market prices	**+ 10%**	**1,412**
New York Stock Exchange (United States of America)		
Impact of changes in market prices	**+ 10%**	**43,824**
Frankfurt Stock Exchange (Federal Republic of Germany)		
Impact of changes in market prices	**+ 10%**	**7,600**
Others		
Impact of changes in market prices	**+ 10%**	**1,800**

41.4 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.

41.5 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)

42. LIST OF SUBSIDIARIES

	Ownership interest 31 December 2020	*Industry Group*
Listed Local Companies		
Saudi Telecom Company (STC) [a]	**70.00%**	Telecommunication Services
Saudi National Bank (SNB) (formerly National Commercial Bank (NCB)) [a]	**44.29%**	Bank
Saudi Arabian Mining Company (Ma'aden)	**67.18%**	Materials
Saudi Real Estate Company (Al Akaria)	**64.58%**	Real Estate
Unlisted Local Companies		
Saudi Arabia Investment Company (Sanabil)	**100.00%**	Diversified Financials
Tahakom Investment Company (Tahakom)	**100.00%**	Diversified financials
King Abdullah Financial District Management & Development Company (KAFD)	**100.00%**	Real Estate
Industrialization & Energy Services Company (Taqa)	**45.79%**	Energy
Neom Company	**100.00%**	Real Estate
Water & Electricity Holding Company (WEHC)	**100.00%**	Utilities
Saudi Entertainment Ventures (SEVEN)	**100.00%**	Consumer Services
Saudi Agricultural & Livestock Investment Company (SALIC)	**100.00%**	Food & Beverages
Saudi Real Estate Refinance Company	**100.00%**	Real Estate Finance
Tatweer Education Holding Company (Tatweer)	**100.00%**	Consumer Services
National Unified Procurement Company For Medical Supplies (Nupco)	**100.00%**	Health Care Equipment & Services
Rou'a Al Madinah Company	**100.00%**	Real Estate
National Energy Services Company (Tarshid)	**100.00%**	Commercial & Professional Services
Saudi Arabian Military Industries Company (SAMI)	**100.00%**	Capital Goods
Saudi Technology Development And Investment Company (Taqnia)	**100.00%**	Software & Services
GDC Middle East	**80.00%**	Transportation
Saudi Investment Recycling Company	**100.00%**	Commercial & Professional Services
POSCO E&C Saudi Arabia (PECSA)	**60.00%**	Capital Goods
Saudi Railway Company	**100.00%**	Transportation
The Red Sea Development Company (TRSDC)	**100.00%**	Real Estate
Central Arriyadh Development Company	**100.00%**	Real Estate
Qiddiyah Investment Company	**100.00%**	Real Estate
Roshn Real Estate Company	**100.00%**	Real Estate
The Helicopter Company	**100.00%**	Transportation
Amaala Company	**100.00%**	Consumer Services
National Security Services Company	**100.00%**	Commercial & Professional Services

(All amounts in million SAR unless otherwise stated)

42. LIST OF SUBSIDIARIES (continued)

	Ownership interest 31 December 2020	*Industry Group*
Unlisted Local Companies (continued)		
New Jeddah Downtown Company	**100.00%**	Real Estate
Red Sea Cruise Company	**100.00%**	Consumer Services
Saudi Boutique Company	**100.00%**	Consumer Services
Brand Company	**100.00%**	Diversified financials
Al-Balad Development Company	**100.00%**	Real Estate
Alsoudah Development Company	**100.00%**	Real Estate
Center for Governance Company	**100.00%**	Commercial & Professional Services
Diplomatic Quarter Holding Company	**100.00%**	Real Estate
Uptown Jeddah Company	**100.00%**	Real Estate
Hotel Management Company	**100.00%**	Real Estate
Saudi Downtown Company	**100.00%**	Real Estate
Saudi Stock Exchange Company (Tadawul)	**100.00%**	Diversified financials
Sela Sports Company	**65.00%**	Commercial & Professional Services
Tadawul Real Estate Company (TREC)	**66.56%**	Real Estate
Unlisted Foreign Companies		
Gulf International Bank (GIB)	**97.23%**	Banks
Saudi Jordanian Investment Fund (SJIF)	**90.00%**	Diversified financials
Special Purpose Vehicles (SPVs)		
Vision Technology Investment Company	**100.00%**	Diversified financials
Saudi Third Technology Investment Company	**100.00%**	Diversified financials
Saudi Second Technology Investment Company	**100.00%**	Diversified financials
Ayar International Investment Company	**100.00%**	Diversified financials
Ayar First Investments Company	**100.00%**	Diversified financials
The Saudi Company for Gulf Food Investments	**100.00%**	Diversified financials
Saudi International Investment Company	**100.00%**	Diversified financials
The Saudi Asian Investment Company	**100.00%**	Diversified financials
Saudi Technology Investment Company	**100.00%**	Diversified financials
The Saudi United Investment Company	**100.00%**	Diversified financials

(All amounts in million SAR unless otherwise stated)

42. LIST OF SUBSIDIARIES (continued)

	Ownership interest 31 December 2020	*Industry Group*
Special Purpose Vehicles (SPVs) (continued)		
Ayar Second Investment Company	**100.00%**	Diversified financials
JACI First Investment Company	**100.00%**	Diversified financials
Digital Media Investment Company	**100.00%**	Diversified financials
ARCI Holdings LLC	**100.00%**	Diversified financials
NADE Investment Company LLC	**100.00%**	Diversified financials
BOFR Investment Company Co. SARL	**100.00%**	Diversified financials
Talisman Aviation Ltd.	**100.00%**	Transportation
Ayar Third Investment Company	**100.00%**	Diversified financials
59 CVT LLC	**100.00%**	Diversified financials
BIDE Investment Company LLC	**100.00%**	Diversified Financials
Saudi Fifth Technology Investment Company	**100.00%**	Diversified financials
Saudi First Investment Company	**100.00%**	Diversified financials
Saudi Fourth Technology Investment Company	**100.00%**	Diversified financials
Saudi Second Investment Company	**100.00%**	Diversified financials
The Saudi Third Investment Company	**100.00%**	Diversified financials
UKSA International LTD	**100.00%**	Diversified financials
USCI First Investment Company	**100.00%**	Diversified financials
USSA International LLC	**100.00%**	Diversified financials
Prisa III Feeder-A LLC	**100.00%**	Diversified financials
HKSA International Limited	**100.00%**	Diversified financials
NCUK Investment Limited	**100.00%**	Diversified financials
The Saudi Fifth Investment Company	**100.00%**	Diversified financials
The Saudi Fourth Investment Company	**100.00%**	Diversified financials

[a] The ownership percentage for SNB and stc is 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.

(All amounts in million SAR unless otherwise stated)

43. 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 SoftBan 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 2020:

Classification in special purpose Consolidated financial statements	Amount	Maximum exposure to loss
Investment securities measured at FVTPL	72,705	72,705
Investment securities measured at amortized cost	71,454	71,454

During the year, interest income amounting to 4,759 million was earned from investment securities measured at amortised cost and net gain of SAR 18,904 million was recognised from investment securities measured at FVTPL.

The Group has additional investment commitments amounting to SAR 25,500 million for SoftBank Fund.

(All amounts in million SAR unless otherwise stated)

44. 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.

44.1 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

		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**
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***	**-**	**1,456**	**-**	**1,456**
	Total assets measured at fair value on a recurring basis	**183,463**	**194,951**	**172,174**	**550,588**

(b) Liabilities measured at fair value on a recurring basis

		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.

(All amounts in million SAR unless otherwise stated)

44. FAIR VALUES (continued)

44.2 Reconciliation of opening and closing amounts of financial instruments classified within level 3

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**

44.3 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.

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)

44. FAIR VALUES (continued)

44.4 Significant un-observable inputs in level 3 instrument valuations

Financial instrument	*Valuation technique*	*Unobservable input*	*Range (weighted average)*
Unquoted equities	Discounted cash flows	Discount rate DLOM Terminal value multiple	5.59% - 60%
	Market approach	DLOM	32%
Managed funds and similar securities	Net assets value	Underlying valuations performed by the investment manager	11x to 16x
Convertible notes	Discounted cash flows	Discount rate DLOM	13.1%
Unlisted equities	Adjusted net assets value	DLOC DLOM Fair value adjustment	Not available
	Discounted cash flows	Discount rate	2.8% - 60%

For all other financial instruments such as cash and deposits with banks and other financial institutions, trade receivables, other current assets, financing and advances, lease liabilities, customer deposits, trade and other payables and loans and borrowings, the fair values approximate their carrying amounts largely due to the short-term maturities of these instruments.

44.5 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

(All amounts in million SAR unless otherwise stated)

44. FAIR VALUES (continued)

44.5 Fair value determination and disclosure of Land (continued)

Category	*Description*	*Fair value or Nominal value disclosure*
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

45. SUBSEQUENT EVENTS

The following are the events which occurred subsequent to 31 December 2020:

(a) During 2021, the Fund received cash contribution from the Owner amounting to SAR 12,659 million.

(b) The Fund made significant investments to the following during 2021:

Investee	**Classification**	**Subsequent ownership interest**	**Amount**
Emaar, the Economic City (EEC)	Associate	25.00%	2,833
Arcelor Mittal Tubular Products Jubail Company (amount includes loan conversion of SAR 503 million)	Associate	59.00%	1,065
Innovative Energy Holding Ltd.	Associate	35.50%	729
Fund of Funds Company	Associate	100.00%	640
Red Sea Gateway Terminal Company	Associate	20.00%	525
Lake Holdings	Equities	16.80%	2,599
Umm Al Qura Construction & Development	Equities	23.78%	1,755
McLaren Group Limited	Equities	Preferred Shares	1,001
Magic Leap, Inc.	Equities	Preferred Shares	656
Uber Freight Holding Corporation	Equities	Preferred Shares	469
Compute Health Acquisition Corp.	Equities	8.70%	281
Magic Leap, Inc.	Loan	Preferred Shares	963

(c) The Fund and the Saudi Telecom Company (stc) have announced the successful completion of the secondary public offering of 6.0% of stc's issued shares, with a total size of SAR 12 billion. These were sold to local and international institutional investors and retail investors.

45. SUBSEQUENT EVENTS (continued)

(d) On 11 October 2020, the National Commercial Bank (NCB), a subsidiary of the Group, and Samba Financial Group (Samba), an associate of the Group, entered into a legally binding merger agreement, pursuant to which NCB and Samba have agreed to take the necessary steps to implement the merger. On 1 April 2021, the merger of the two banks took effect with NCB as the surviving entity. NCB was then renamed as Saudi National Bank (SNB). The Group owns 37.24% of the combined entity.

(e) In 2021, SNB (formerly NCB) has completed the issuance of additional cross border Tier 1 Sukuk denominated in US Dollars, amounting to SAR 4.69 billion.

(f) The Board of Directors of SNB (formerly NCB), a subsidiary of the Group, in their meeting held on 28 January 2021 resolved to liquidate Alahli Insurance Service Marketing Company, the subsidiary of SNB. The required regulatory approvals and the legal formalities in respect of liquidation of the company are in progress.

(g) On July 26 2021, Lucid Group, Inc, a subsidiary of Ayar Third Investment Company, became a public listed company on the Nasdaq stock exchange following the completion of the previously announced merger with Churchill Capital Corp IV on 23 July 2021. The combined company will now operate as Lucid Group, Inc.

(h) On December 22, 2020, Saudi Arabian Military Industries Company (SAMI), a subsidiary of the Group, entered into a share purchase agreement to acquire 100% shareholding of Advanced Electronics Company (AEC) for a consideration amounting to SAR 2,200 million. At year end, SAMI is in the process of completing the legal formalities in respect of the acquisition, transfer of shares to SAMI and payment of consideration thereof, which were finalized after the year-end.

(i) On 3 March 2021, Saudi Real Estate Refinance Company, a subsidiary of the Group, has issued non-convertible unlisted Sukuk, guaranteed by Ministry of Finance, in dual tranches of SAR 3 billion and SAR 1 billion with a maturity period of 10 years and 7 years respectively, at a fixed rate of 2.65% and 2.11% respectively, payable semi-annually.

(j) During 2021, the Saudi Real Estate Refinance Company has purchased mortgage portfolio of SAR 1.895 billion in two tranches from Public Pension Agency (PPA). The company has also purchased mortgage portfolio of SAR 3.38 billion at discount of SAR 920 million from Real Estate Development Fund (REDF).

(k) In April 2021, Neom Company (Neom), a subsidiary of the Group, signed an operating agreement with Vista Commercial Company, with an effective date of 1 January 2021, to operate and manage the Hyat Sharma Resort under a revenue sharing agreement and is entitled to receive 35% of total gross revenues from the resort. The Company is completing the administrative procedures to receive the requisite Usufruct agreements.

(l) The Saudi Central Bank (SAMA) announced the extension of the Deferred Payment Program up to December 31, 2021, for MSMEs that are still affected by the COVID-19 precautionary measures (refer to Note 46).

(m) Arabian Internet and Communications Services Co. (“Solutions by stc”), a subsidiary of stc, has offered 20% of its shares to the public through an initial public offering (IPO). The total proceeds from this offering amounted to SAR 3,624 million.

(n) During the second quarter of 2021, the Council of Ministers approved granting Saudi Digital Payments Company (“stc Pay”), a subsidiary of stc, a digital banking services license to become a digital bank with a share capital of SAR 2.5 billion.

(o) Saudi Arabian Mining Company (Ma’aden), a subsidiary of the Group, entered into secured loan arrangements with Saudi Industrial Development Fund (SIDF), including the approval on 26 April 2021 of the facilities granted to Ma’aden to provide funding for the capital expenditure of the new gold mine at Mansourah-Massarah in the amount of SAR 1,200 million.

(p) Saudi Real Estate Company (Al Akaria), a subsidiary of the Group, has announced the submission of the company’s capital increase file to the Capital Market Authority for the offering rights issue to be with a total of SAR 1,593 million.

45. SUBSEQUENT EVENTS (continued)

(q) Saudi Real Estate Company (Al Akaria) has announced receiving a letter from the Fund including the transfer agreement between the Fund and the Ministry of Finance to transfer the remaining balance of the Fund's loan amounting to SAR 1,307 million with its related rights and obligations to the Ministry of Finance and requesting an approval on finalizing the transfer.

(r) Saudi Technology and Security Comprehensive Control Company Limited, a subsidiary of Tahakom Investments Company, issued a resolution to write off the full balance of VAT receivable in the amount of SAR 1.07 billion. Based on the Royal order number 52656, the company will be reimbursed by the Government for the VAT for the periods after the Royal order date.

(s) Saudi Electricity Company (SEC), an associate of the Group, has signed a USD denominated Revolving Credit Facility agreement with the financing amount of SAR 9,666 million (equivalent to USD 2,577.5 million) and duration of 3 years.

(t) Saudi Electricity Company (SEC) has announced obtaining a SAR 1,875 million (equivalent to USD 500 million) Green Credit Facility under The Japan Bank for International Cooperation (JBIC) green operations with the duration of 12 years.

(u) Saudi Electricity Company (SEC) has announced the resolution (ref. no. 227 dated 18/04/1443H) regarding approving taking all necessary legal procedures to transfer the ownership of SEC's entire stakes in the Saudi Power Procurement Company (SPPC), a wholly owned subsidiary by SEC, to the government ownership.

(v) International Company for Water and Power Projects (ACWA Power), an associate of the Group, in relation to its planned IPO representing 11.1% of the share capital after the offering, has successfully completed the book-building process for the Participating Parties tranche and the setting of the final offer price at SAR 56 per Offer Share.

(w) International Company for Power and Water Projects (ACWA Power) has announced the financial close for SAR 27 billion (equivalent to USD 7.2 billion) senior debt facilities for the Jazan Integrated Gasification Combined Cycle project. The project is a joint venture between Saudi Aramco, ACWA Power, Air Products and Air Products Qudra, with ACWA Power holding a 25% equity stake.

(x) International Company for Power and Water Projects (ACWA Power) has announced the financial close for SAR 3 billion (equivalent to USD 800 million) refinancing facility, the proceeds of which would be utilized by its subsidiary Rabigh Arabian Water & Electricity Company.

(y) An investment group led by the PIF, and also comprising PCP Capital Partners and RB Sports & Media (the "Investment Group"), has completed the acquisition of 100% of Newcastle United Limited and Newcastle United Football Club Limited ("Newcastle United" or the "Club") from St. James Holdings Limited. All requisite approvals have been obtained from the English Premier League and the acquisition was completed on 7 October 2021.

(z) Saudi Tadawul Group Holding Company, a subsidiary of the Group, has completed its initial public offering. The company has floated 36,000,000 shares, representing 30% of its issued share capital with final allocations of 70% to institutional investors and 30% to individual investors, generating SAR 458 billion and SAR 5.02 billion respectively.

(aa) Elm has announced its initial public offering and listing on Saudi Stock Exchange representing 30% of its issued share capital.

(bb) In 2022, SNB (formerly NCB) has completed the issuance of Sukuk denominated in US Dollars, amounting to SAR 2.8 billion.

(cc) Saudi Real Estate Refinance Company (SRC) has completed issuing a SAR 2,000 million Sukuk to support lenders in the housing market.

(dd) The Fund received dividends from subsidiaries amounting to SAR 12,982 million and dividends from associates amounting to SAR 3,491 million.

46. 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.

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, as the situation is fluid and rapidly evolving, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

46. COVID IMPACT (continued)

46.1 Banking and Financing Operations

The Group continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. Certain inputs and assumptions used for the determination of ECL have been revised, mainly revolving around:

- adjusting macroeconomic factors/inputs in its ECL model including observed default rates;
- revisions to the scenario probabilities, and
- refinement of staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays.

The ECL model continues to be sensitive to the above assumptions and are continually reassessed as part of its business as usual model refinement exercise. 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. The Group continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves; however, the aggregate impact of various COVID-19 related adjustments contributed an additional ECL of SAR 939 million during the year ended 2020.

(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 the 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, the Group's banking and financing subsidiaries were required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs.

  The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Group's banking and financing subsidiaries effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months and then further deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure.

  Further on 29 November 2020, SAMA extended the deferred payment program until 31 March 2021. The Group's banking and financing subsidiaries has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure.

  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.

  As a result of the above program and related extensions, the Group's banking and financing subsidiaries have deferred the payments of SAR 11,981million on MSMEs portfolio and the total exposures against these customers amounted to SAR 24,797 million as at the year end.

  The Group's banking and financing subsidiaries generally consider the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

  If the balance of the customers under COVID-19 support packages in stage 1 move to stage 2, additional ECL provisions would be provided during 2021 based on the credit facility level assessment and the ability to repay amounts due after the deferral period ends. As at 31 December 2020, Group's banking and financing subsidiaries have participated in SAMA's facility guarantee programs and the accounting impact for the period is immaterial.

46. COVID IMPACT (continued)

46.1 Banking and Financing Operations (continued)

(a) SAMA support programs and initiatives (continued)

- **Government grant in respect to the SAMA support programs**
  In order to compensate the related cost that the Group's banking and financing subsidiaries are expected to incur under the SAMA and other public authorities program, they have received in aggregate SAR 11,632 million of profit free deposit in number of tranches from SAMA during the year ended 31 December 2020, with varying maturities. Management had determined based on the communication from SAMA that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

  Subsequently on 30 December 2020, the Group's banking and financing subsidiaries received extension of profit free deposit whereby maturities of significant portion of the deposits were extended by further twenty one months. Refer to Note 28 for details.

- **SAMA liquidity support for the Saudi banking sector amounting to SAR 50,000 million**
  In line with its monetary and financial stability mandate, SAMA injected an amount of fifty thousand million Saudi 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.

  Moreover, in respect to the liquidity support, the Group's banking and financing subsidiaries have received SAR 8,048 million profit free deposit with one year maturity. Management has 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.

(b) Support extended by banking and financing subsidiaries

In recognition of the significant efforts that our healthcare workers are putting in to safeguard the health of our citizens and residents in response to the COVID-19 outbreak, a banking subsidiary has decided to voluntarily postpone payments for all public and private health care workers who have credit facilities with them for three months.

47. 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.

47.1 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.

47. STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

47.2 Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

(a) Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

(b) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas:

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub- groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

(c) Disclosure

The amendments will require the Group to disclose additional information about the entity’s exposure to risks arising from interest rate benchmark reform and related risk management activities.

(d) Transition

The Group plans to apply the amendments from 1 January 2021.

47.3 COVID-19-Related Rent Concessions - Amendment to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 *Leases.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for 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.

The amendment applies to annual reporting periods beginning on or after 1 June 2020.

47.4 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.

47. STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

47.5 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.

47.6 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.

47.7 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.

47.8 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.

47. STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

47.9 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.

47.10 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.

47.11 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.

47.12 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.

47.13 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.

47.14 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.

47.15 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.