

Public Investment Fund and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Board of Directors of Public Investment Fund

Opinion

We have audited the consolidated financial statements ("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 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
Classification of investments The Group's principal activity is investing and managing investments. As of 31 December 2022, the Fund has 177 direct investments comprising of subsidiaries, associates, and joint ventures (the "investees"). The Group is required to assess whether it controls, jointly controls or exercises significant influence on these investments to classify them appropriately as subsidiaries, joint ventures, or associates in accordance with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia.	Our audit procedures in this area included, among others: Assessing the design and implementation of key controls over management's process for determining classification of investments on initial recognition and subsequent reassessments.

Independent Auditor's Report

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

Key Audit Matters (continued)	
The key audit matter	How the matter was addressed in our audit
Classification of investments (continued) We have identified the classification of investments to be a key audit matter, as the determination of appropriate classification in many instances involves significant management's judgment. Refer to note 3.1 for the summary of significant accounting policies, notes 4.1, 4.2, 4.4, 4.5 and 4.6 for the significant accounting judgments, estimates and assumptions used in relation to classification of investments by the Group and notes 11 and 44 for the related disclosures.	- Inspecting, on a sample basis, contractual arrangements relating to investments (including shareholder agreements) held by the Group, focusing on the rights attributed to the Group in investees. - Evaluating, on a sample basis, management's assessment of determining the existence of control, joint control or significant influence or the loss of it in accordance with the applicable IFRS as endorsed in the Kingdom of Saudi Arabia. - Obtaining, on a sample basis, direct confirmations from investees to confirm shareholding interest of the Group and numbers of directors representing the Group in the investees. - Assessing the adequacy of the relevant disclosures in the consolidated financial statements of the Group, in line with disclosure requirements of IFRS as endorsed in the Kingdom of Saudi Arabia.
Revenue recognition of telecommunication industry The Group's revenue from the telecommunication industry consists primarily of subscription fees for telecommunication, data packages and use of the network. The total telecommunication revenue of the Group amounted to SAR 66,016 million for the year ended 31 December 2022 which comprises 31.95% of the total revenue. We have identified this to be a key audit matter, as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgements and estimates. Additionally, there are inherent risks involved due to complexities associated with the network environment, dependency on IT applications, large volume of data, changes caused by price updates and promotional offers affecting various products and services offered. Refer to note 32 for the summary of significant accounting policy relating to revenue recognition for telecommunication industry used by the Group and related disclosures.	Our audit procedures in this area included, among others: - Assessing the design and implementation of key automated controls related to revenue recognition and testing their operating effectiveness by involving our IT specialists. - Assessing the group's accounting policies and methodology for revenue recognition for compliance with IFRS as endorsed in the Kingdom of Saudi Arabia. - Inspecting, on a sample basis, revenue reconciliations prepared by the respective component's management between the primary billing system and the general ledger. - Testing, on a sample basis, the accuracy of customer invoice generation and the credits and discounts applied to customers invoices. - Testing, on a sample basis, cash receipts of customers back to the invoice. - Performing analytical procedures by comparing expectations of revenues with actual results and analysing variances. - Assessing adequacy of the relevant disclosures in the consolidated financial statements of the Group, in line with the disclosure requirements of IFRS as endorsed in the Kingdom of Saudi Arabia.

Independent Auditor's Report

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

Key Audit Matters (continued)	
The key audit matter	How the matter was addressed in our audit
Expected Credit Loss ("ECL") allowance against financing and advances The Group's financing and advances are primarily driven from the banking operations of the Group. The Expected Credit Loss (ECL) allowance against financing and advances amounted to SAR 12,411 million as at 31 December 2022. We have identified this as a key audit matter due to significant estimates and judgments involved in classifying financing and advances into various stages as stipulated by IFRS 9 and the related determination of ECL allowance. Refer to note 3.5(e) for the summary of significant accounting policies and note 4.24 for the significant accounting judgments, estimates and assumptions used by the Group in relation to the impairment losses on financial assets and the impairment assessment methodology and note 18 for the related disclosures.	Our audit procedures in this area included, among others: - Assessing whether the Group's accounting policies and methodology for measurement of ECL allowance are in line with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. - Assessing the design and implementation and testing the operating effectiveness of key controls, automated and manual, relating to determination of ECL allowance. - Assessing appropriateness of the Group's criteria for the determination of significant increase in credit risk (SICR) and identification of "default" or "individually impaired" exposures, and their classification into stages. Also assessing, for a sample of exposures, the appropriateness of the staging classification of the Group's financing and advances portfolio. - Assessing the reasonableness of the underlying assumptions used by the Group in the ECL model. - Testing the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2022. - Where required, involving our specialists to assist us in reviewing model calculations, evaluating interrelated inputs, and assessing reasonableness of assumptions used in the ECL model. - Assessing adequacy of the relevant disclosures in the consolidated financial statements of the Group, in line with the disclosure requirements of IFRS as endorsed in the Kingdom of Saudi Arabia.
Impairment of property, plant, and equipment As at 31 December 2022, the Group's consolidated statement of financial position included property, plant and equipment amounting to SAR 212,462 million.	Our audit procedures in this area included, among others: Evaluating the management's assessment to assess the existence of impairment indicator, if any.

Independent Auditor's Report

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

Key Audit Matters (continued)	
The key audit matter	How the matter was addressed in our audit
Impairment of property, plant, and equipment (continued) At each reporting date, the Group's management assesses whether there is any indication that property, plant, and equipment may be impaired. If such indication exists, the Group estimates the recoverable amount of individual asset or cash generating unit (CGU). We have identified the impairment of property, plant, and equipment as a key audit matter, due to significance of estimate and judgments involved in assessing the existence of impairment indicators and determining the recoverable amount, if required. Refer to note 4.20 for the significant accounting judgments, estimates and assumptions used by the Group in relation to impairment of property, plant and equipment and note 6 for summary of significant accounting policies and related disclosures.	- Assessing the reasonableness and appropriateness of Group's methodology, assumptions and estimates used to determine the recoverable amount of the assets, in line with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia. - Testing, for a sample of impairment calculations, the completeness and accuracy of key data inputs in determining the recoverable amount of the assets or CGU by involving our valuation specialist, where required. - Where required, for a sample of impairment calculations, involving our valuation specialists to assist us in reviewing model calculations, evaluating interrelated inputs, and assessing reasonableness of assumptions used in estimation of recoverable amount of the assets or CGU, as applicable. - Assessing the adequacy of the relevant disclosures in the consolidated financial statements of the Group, in line with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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").

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

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

KPMG Professional Services



Khalil Ibrahim Al Sedais
License No: 371



Riyadh, 21 June 2023
Corresponding to: 3 Dhul Hijjah 1444H

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(All amounts in million SAR unless otherwise stated)*

		As at		
	Notes	31 December 2022	31 December 2021	1 January 2021
ASSETS				
Non-current assets				
Property, plant and equipment	6	212,462	165,502	143,284
Mine properties	7	11,641	11,688	10,672
Intangible assets	8	79,373	68,492	17,740
Right-of-use assets	9	10,871	10,049	8,722
Investment properties	10	46,680	37,105	24,588
Investments in associates and joint ventures	11	147,315	118,470	116,523
Deferred tax assets	12	973	881	846
Inventories	13	2,310	877	195
Derivatives	14	23,253	8,667	9,373
Promissory notes	15	80,933	188,553	217,151
Investment securities	16	844,903	656,815	469,214
Other assets	17	31,138	23,513	42,463
Financing and advances	18	279,386	234,220	172,783
Cash and deposits with banks and other financial institutions	19	14	1,263	13,631
		1,771,252	1,526,095	1,247,185
Current assets				
Inventories	13	17,487	11,669	8,808
Derivatives	14	1,591	1,269	207
Promissory notes	15	41,250	33,750	18,750
Trade receivables	20	52,532	54,330	31,765
Investment securities	16	396,622	267,617	268,271
Other assets	17	63,792	56,998	35,431
Financing and advances	18	312,858	301,142	209,971
Cash and deposits with banks and other financial institutions	19	257,500	280,995	236,108
		1,143,632	1,007,770	809,311
Assets classified as held for sale	21	1,646	5,204	3,303
		1,145,278	1,012,974	812,614
TOTAL ASSETS		2,916,530	2,539,069	2,059,799

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*(All amounts in million SAR unless otherwise stated)*

		As at		
	Notes	31 December 2022	31 December 2021	1 January 2021
EQUITY AND LIABILITIES				
Equity				
Capital contribution	22	364,673	364,673	364,673
Additional capital contribution	22.1	632,769	315,281	288,813
Retained earnings		565,187	595,579	486,534
General reserves	22.3	30,589	30,589	30,589
Other reserves	22.4	(13,188)	25,033	12,995
Equity attributable to owner of the Fund		1,580,030	1,331,155	1,183,604
Non-controlling interest	24	188,573	172,617	91,206
Total equity		1,768,603	1,503,772	1,274,810
Liabilities				
Non-current liabilities				
Employees' benefits	25	9,874	10,413	8,898
Deferred tax liabilities	12	1,856	1,797	1,155
Provisions	26	4,707	3,977	2,981
Loans and borrowings	27	177,532	114,271	118,755
Lease liabilities	28	8,959	8,151	7,375
Deferred government grants	29	5,102	3,373	3,947
Derivatives	14	21,948	14,702	11,687
Customer deposits	31	1,976	1,914	1,801
Trade and other payables	30	12,621	7,140	11,207
		244,575	165,738	167,806
Current liabilities				
Provisions	26	9,378	9,759	5,625
Loans and borrowings	27	144,241	135,070	77,878
Lease liabilities	28	2,651	2,468	1,655
Derivatives	14	1,063	1,480	827
Trade and other payables	30	134,100	110,306	80,333
Customer deposits	31	605,026	601,467	445,422
Zakat and income tax	12	6,767	4,996	4,296
		903,226	865,546	616,036
Liabilities directly associated with assets classified as held for sale	21	126	4,013	1,147
		903,352	869,559	617,183
Total liabilities		1,147,927	1,035,297	784,989
TOTAL EQUITY AND LIABILITIES		2,916,530	2,539,069	2,059,799



The Governor

Yasir O. Al-Rumayyan



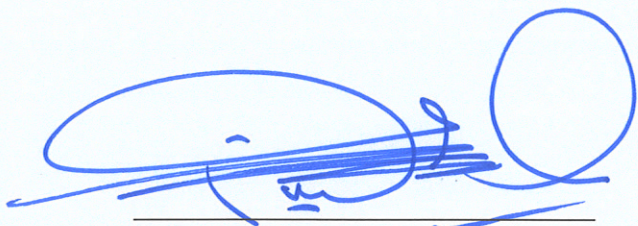
Chief Financial Officer

Yasir Alsalman

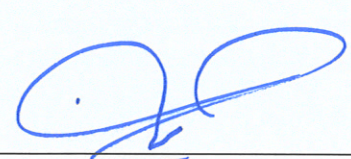
The notes 1 to 50 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*(All amounts in million SAR unless otherwise stated)*

		<i>For the year ended 31 December</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
CONTINUING OPERATIONS			
Revenue	32	206,602	156,887
(Loss) / Income from investment activities	32	(41,550)	71,352
Total revenue		165,052	228,239
Cost of revenue	33	(116,047)	(81,521)
Cost from investment activities	33	(1,161)	(699)
Total cost		(117,208)	(82,220)
Other operating income, net	34	4,321	7,647
Selling and distribution expenses	35	(9,590)	(6,976)
Administrative expenses	36	(62,486)	(63,622)
Net impairment losses on financial assets	40	(3,795)	(6,236)
Share of profit of associates and joint ventures, net	11	8,913	8,635
OPERATING (LOSS) / PROFIT		(14,793)	85,467
Finance cost	37	(4,332)	(2,543)
Finance income	38	8,021	7,031
(LOSS) / PROFIT BEFORE ZAKAT AND INCOME TAX		(11,104)	89,955
Zakat and income tax expense	12	(5,652)	(4,197)
(LOSS) / PROFIT FROM CONTINUING OPERATIONS		(16,756)	85,758
DISCONTINUED OPERATIONS			
Profit / (loss) from discontinued operations, net of zakat and income tax	21	2,034	(31)
(LOSS) / PROFIT FOR THE YEAR		(14,722)	85,727
Attributable to:			
Owner of the Fund		(36,568)	81,787
Non-controlling interest		21,846	3,940
		(14,722)	85,727



The Governor
Yasir O. Al-Rumayyan

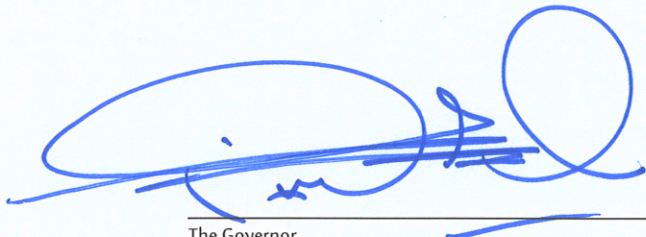


Chief Financial Officer
Yasir Als Salman

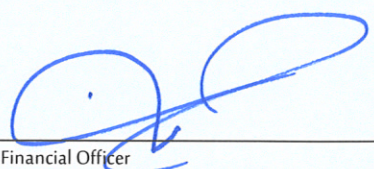
The notes 1 to 50 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*(All amounts in million SAR unless otherwise stated)*

	Notes	<i>For the year ended 31 December</i>	
		<u>2022</u>	<u>2021</u>
(Loss) / Profit for the year		(14,722)	85,727
Other Comprehensive Income / (Loss)			
<i>Items that are or may be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Foreign currency translation differences of foreign operations		(2,021)	(1,598)
Cash flow hedges – effective portion of changes in fair value		(269)	8
Net loss on debt instruments measured at FVOCI – change in fair value		(6,247)	(961)
Share of other comprehensive income of associates and joint ventures	11	2,112	822
Reclassification of OCI losses on deemed disposal of an associate to profit or loss		-	43
		<u>(6,425)</u>	<u>(1,686)</u>
<i>Items that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Net (loss) / gain on equity instruments designated at fair value through other comprehensive income		(39,005)	11,337
Remeasurement gain on employees' defined benefits obligation		1,047	358
Share of other comprehensive income (loss) of associates and joint ventures	11	560	(210)
		<u>(37,398)</u>	<u>11,485</u>
Other comprehensive (loss) / income for the year, net of tax		<u>(43,823)</u>	<u>9,799</u>
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		<u>(58,545)</u>	<u>95,526</u>
Attributable to:			
Owner of the Fund		(74,810)	92,794
Non-controlling interest		16,265	2,732
		<u>(58,545)</u>	<u>95,526</u>



The Governor
Yasir O. Al-Rumayyan



Chief Financial Officer
Yasir Alsalman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*(All amounts in million SAR unless otherwise stated)***For the year ended 31 December 2022**

	<i>Notes</i>	Attributable to the Owner of the Fund					<i>Non-controlling interest *</i>	<i>Total equity</i>
		<i>Capital contribution</i>	<i>Additional capital contribution</i>	<i>General Reserves</i>	<i>Other reserves</i>	<i>Retained earnings</i>		
As at 1 January 2022		364,673	315,281	30,589	25,033	595,579	172,617	1,503,772
(Loss) / Profit for the year		-	-	-	-	(36,568)	21,846	(14,722)
Other comprehensive loss		-	-	-	(38,242)	-	(5,581)	(43,823)
Total comprehensive (loss) / income		-	-	-	(38,242)	(36,568)	16,265	(58,545)
Capital contribution	22	-	317,488	-	-	-	-	317,488
Dividends		-	-	-	-	-	(9,109)	(9,109)
Deemed dividends		-	-	-	-	(835)	-	(835)
Acquisition and disposal of subsidiary		-	-	-	-	-	(2,166)	(2,166)
Changes in ownership interests that do not result in a loss of control (**)		-	-	-	-	4,093	6,117	10,210
Share-based payments transactions		-	-	-	-	(35)	1,760	1,725
Reclassification of FVOCI reserve to retained earning		-	-	-	(242)	242	-	-
Tier 1 Sukuk issued	24(a)	-	-	-	-	-	3,300	3,300
Tier 1 Sukuk related cost		-	-	-	-	(176)	(292)	(468)
Other movements in the equity of associates and JVs		-	-	-	(9)	2,789	-	2,780
Other movements, net		-	-	-	272	98	81	451
At 31 December 2022		364,673	632,769	30,589	(13,188)	565,187	188,573	1,768,603

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

(All amounts in million SAR unless otherwise stated)

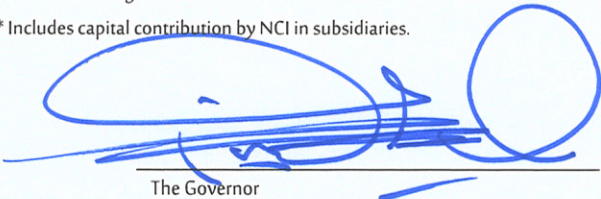
For the year ended 31 December 2021

Attributable to the Owner of the Fund

	Notes	Attributable to the Owner of the Fund					Non-controlling interest *	Total equity
		Capital contribution	Additional capital contribution	General Reserves	Other reserves	Retained earnings		
As at 1 January 2021		364,673	288,813	30,589	12,995	486,534	91,206	1,274,810
Profit for the year		-	-	-	-	81,787	3,940	85,727
Other comprehensive income (loss)		-	-	-	11,007	-	(1,208)	9,799
Total comprehensive income		-	-	-	11,007	81,787	2,732	95,526
Capital contribution	22	-	26,468	-	-	-	-	26,468
Dividends		-	-	-	-	(3,210)	(7,361)	(10,571)
Acquisition and disposal of subsidiary		-	-	-	-	-	501	501
Changes in ownership interests that do not result in a loss of control (**)		-	-	-	244	31,537	82,134	113,915
Exercise of share-based options		-	-	-	-	-	1,475	1,475
Employees' share-based payments plan reserve - charged to profit or loss		-	-	-	-	117	137	254
Reclassification of FVOCI reserve to retained earning		-	-	-	982	(982)	-	-
Tier 1 Sukuk issued	24(a)	-	-	-	-	-	4,688	4,688
Tier 1 Sukuk called	24(a)	-	-	-	-	-	(2,700)	(2,700)
Tier 1 Sukuk related cost		-	-	-	-	(109)	(294)	(403)
Other movements, net		-	-	-	(195)	(95)	99	(191)
At 31 December 2021		364,673	315,281	30,589	25,033	595,579	172,617	1,503,772

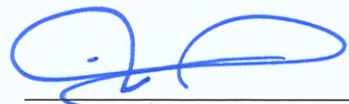
* Non-controlling interest as at 31 December 2022 include Tier 1 Sukuk bonds amounting to SAR 13,488 million (as at 31 December 2021: SAR 10,188 million; as at 1 January 2021: SAR 8,188 million).

** Includes capital contribution by NCI in subsidiaries.



The Governor

Yasir O. Al-Rumayyan



Chief Financial Officer

Yasir Alsaman

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

CONSOLIDATED STATEMENT OF CASH FLOWS*(All amounts in million SAR unless otherwise stated)*

		For the year ended 31 December	
	Notes	2022	2021
OPERATING ACTIVITIES			
(Loss) / Profit before zakat and income tax from continuing operations		(11,104)	89,955
Profit / (loss) before zakat and income tax from discontinued operations		2,012	(31)
		(9,092)	89,924
Adjustments to reconcile (loss) / profit before zakat and income tax to net cash flow from operating activities:			
Depreciation, amortization and impairment of mine properties, PPE, investment properties, intangible assets and right-of-use assets	6,7,8,9,10	25,969	21,155
Net loss on disposal of mine properties, PPE, biological assets, investment properties, intangible assets and right-of-use assets	34	311	316
Impairment loss on other assets (net) and amortization of contract costs		390	528
Impairment loss on financial assets, net	40	3,795	6,236
Impairment loss on associates and joint ventures	34	938	512
Net gain from sale of investment in associates and joint ventures		(283)	(7,449)
Net loss/(gain) on sale of Non - FVTPL financial instruments		2,324	(2,604)
Net loss/(gain) from fair value changes in financial instruments measured at FVTPL		62,789	(56,409)
Realized gain on redemption / disposal of investments measured at FVTPL, net		(1,353)	(4,587)
Finance income [non-banking and non-investment operations]	38	(8,021)	(7,031)
Finance costs [non-banking and non-investment operations]	37	4,332	2,543
Other expenses		3,395	1,940
Share of profit of associates and Joint ventures - net	11	(8,913)	(8,635)
Acquisition related transaction costs	36	-	20,908
Gain on disposal of subsidiary		(1,615)	-
Provision for slow moving and obsolete inventories	13	2,174	385
Provision for employees' benefit obligations	25	1,284	1,238
Amortization of deferred government grants		(1,607)	(2,053)
Other provision made (reversed) during the year		2,785	(431)
Net foreign exchange differences		(1,345)	205
Net cash from operating activities from discontinued operations and loss on disposal of assets and liabilities classified as held for sale		52	52
		78,309	56,743
Changes in:			
Inventories		(8,034)	(2,645)
Trade receivables		(5,783)	(21,033)
Other assets		(17,006)	(9,435)
Financing and advances [banking operations]		(57,079)	(20,993)
Due from bank and other financial institutions with original maturity over three months [banking operations]		5,298	(319)
Trade and other payables		13,701	10,904
Customer deposits and Islamic customer deposits [banking operations]		1,923	(24,249)
Due to banks and other financial institutions [banking operations]		31,777	22,860
Fair value of derivatives, net		(8,079)	2,099
Investments held at FVTPL [banking operations]		1,406	(2,169)
Others		161	360
		36,594	12,123

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*(All amounts in million SAR unless otherwise stated)*

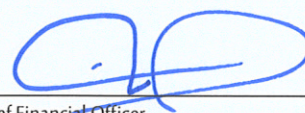
		For the year ended 31 December	
	Notes	2022	2021
OPERATING ACTIVITIES (continued)			
Other items within operating activities			
Finance costs paid [non-banking and non-investment operations]		(3,207)	(5,693)
Finance income received [non-banking and non-investment operations]		12,080	5,735
Purchase of investment securities [investment operations]		(182,400)	(162,393)
Proceeds from disposal/redemption of investment securities [investment operations]		83,667	161,121
Employees' end of service benefits paid	25	(963)	(755)
Other provisions paid during the year	26	(2,472)	(705)
Zakat and income tax paid	12	(3,971)	(3,242)
Net cash (used in) generated from operating activities		(60,672)	6,191
INVESTING ACTIVITIES			
Purchase of mine properties, PPE, intangible assets and investment properties	6,7,8,10	(67,832)	(42,619)
Proceeds from sale/ disposal of mine properties, PPE, intangible assets and investment properties		348	585
Acquisition of subsidiaries - net of cash acquired		(5,341)	23,000
Net cashflow from disposal of subsidiaries		(3,527)	112
Investments made in associates and joint ventures	11	(19,466)	(5,226)
Proceeds from disposal of investments in associates and joint ventures		975	185
Dividends received from associates and joint ventures	11	4,675	4,364
Purchase of investment securities [non-banking and non-investment operations]		(29,624)	(28,260)
Purchase of investment securities (other than held at FVTPL) [banking operations]		(71,295)	(78,895)
Proceeds from sale of investment securities [non-banking and non-investment operations]		26,651	19,664
Proceeds from sale of investments made in investment securities (other than held at FVTPL) [banking operations]		44,520	50,397
Net movement in deposits with banks and other financial institutions with original maturity of more than 3 months [non-banking operations]		(6,198)	3,644
Movement in restricted cash balance, net		(3,137)	(99)
Loans given to associate and joint ventures		(7)	(982)
Loans repaid by associate and joint ventures [non-banking operations]		2,504	921
Loans and advances given to third parties [non-banking operations]		-	(1,091)
Loans and advances repaid by third parties [non-banking operations]		93,462	18,403
Net cash flow from investing activities from discontinued operations		66	-
Other investing activities		-	(242)
Net cash used in investing activities		(33,226)	(36,139)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*(All amounts in million SAR unless otherwise stated)*

		For the year ended 31 December	
	Notes	2022	2021
FINANCING ACTIVITES			
Capital contribution by Owner	22	15,711	20,107
Dividends paid to Owner		-	(3,210)
Gross proceeds from borrowings (Non-banking operations)	27	88,147	17,452
Repayment of borrowings (Non-banking operations)	27	(55,767)	(10,333)
Payment of principal portion of lease liabilities	28	(2,504)	(1,965)
Proceed from debts issued and other borrowed funds [banking operations]	27	30,209	16,089
Repayment of debts Issued and other borrowed funds [banking operations]	27	(18,395)	(15,307)
Repayment of Tier 1 Capital instruments		-	(2,700)
Issuance of Tier 1 Sukuk		3,300	4,688
Interest on Tier 1 Sukuk		(468)	(403)
Receipts from Government grants	29	3,272	1,976
Contribution from non-controlling interests		5,035	51
Dividends paid to non-controlling interests		(9,109)	(7,218)
Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control		6,318	20,090
Proceeds from reverse capitalization		-	16,877
Others		-	(1,567)
Net cash generated from financing activities		65,749	54,627
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(28,149)	24,679
Net foreign exchange differences		(479)	(746)
Cash and cash equivalents at the beginning of the year		215,285	191,352
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	19	186,657	215,285



The Governor
Yasir O. Al-Rumayyan



Chief Financial Officer
Yasir Alsalman

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in million SAR unless otherwise stated)

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, Prime Minister, and Chairman of CEDA, becoming the Chairman of PIF's board.

PIF's major source of funding include capital injections in cash or in kind from the Government of the Kingdom of Saudi Arabia (the "Owner" or the "Government") and borrowings through special purpose vehicles ("SPV").

The Public Investment Fund is developing a portfolio of domestic and international investments, diversified across sectors, geographies and asset classes. PIF has investments in subsidiaries, associates and joint ventures. The details and the principal activities of direct subsidiaries are disclosed in [note 44](#). The details and the principal activities of associates and joint ventures are disclosed in [note 11](#).

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'. The Group's investment operations activities comprise of investment management services where its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both and is referred to as 'investment operations'.

Official 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 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 1st Dhul Hijjah 1444 (corresponding to 19th June 2023G).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards, interpretations and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS endorsed in the Kingdom of Saudi Arabia").

These consolidated financial statements for the year ended 31 December 2022 are the first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS 1 (First-time Adoption of International Financial Reporting Standards) endorsed in the Kingdom of Saudi Arabia and other standards, interpretations and pronouncements that are endorsed in the Kingdom of Saudi Arabia. For all periods up to and including the year ended 31 December 2021, the Fund had prepared its financial statements in accordance with the accounting policies other than IFRS as endorsed in Kingdom of Saudi Arabia ("the Special Purpose Financial Reporting Framework"). Refer to [note 5](#) for information on how the Group adopted IFRS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.2 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the Fund'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 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,
- land received from the government that are measured at nominal value (1 SAR) and
- employee defined benefit liability as it is recognized at the present value of future obligations using projected unit credit method.

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS

The significant accounting policies applied in the preparation of the consolidated financial statements are divided into:

- the significant accounting policies applied in the comprehensive preparation of the consolidated financial statements and cannot be assigned to specific note.
- other significant accounting policies applicable to a particular note within the consolidated financial statements. They can be identified by the following symbol 

The significant accounting policies applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented, except if mentioned otherwise.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of PIF and its subsidiaries (the "Group") for the year ended 31 December 2022. Subsidiaries are entities controlled by the Group. The list of Group's direct subsidiaries is provided in note [44](#).

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, i.e. the activities that significantly affect the investee's returns);
- 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 entity;
- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.1 Basis of consolidation (continued)

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 consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss for the year is attributed to the equity holder of PIF and to the non-controlling interests. Total comprehensive income of the Group 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation. Profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

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 at their carrying amounts at the date when control is lost;
- 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.

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 contributes 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.1 Basis of consolidation (continued)

Any contingent consideration to be transferred by the Group 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.

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.

For the consolidated financial statements, the Group has availed the exemption under IFRS 1 whereby it 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 1 January 2021. Consequently, goodwill has been measured in accordance with the exemptions for business combination requirements of IFRS 1 (refer to [note 5](#)).

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.2 Common control transactions

Transactions involving the acquisition of set of activities and assets (that would meet the definition of a business) under common control of the Owner, which are based on a decision by the Owner and where the transaction has economic substance are accounted for using the acquisition method. For transactions involving the acquisition of set of activities and assets (that would meet the definition of a business) under common control of the Owner, which are based on a decision by the Owner and where the transaction does not have any economic substance, the Group adopts the pooling of interest method.

Under the pooling of interest method (predecessor values 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 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.

Transactions involving the acquisition of set of activities and assets (that is not deemed to meet the definition of a business) under common control of the Owner, the assets acquired and liabilities assumed shall be accounted for using the requirements of the relevant IFRS standards depending on the nature of the assets acquired and liabilities assumed.

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.3 Current vs Non-current classification (continued)

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The 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.

3.4 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.4 Fair value measurement (continued)

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, maximizing the use of relevant observable inputs and minimizing 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 — fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;.
- 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.

3.5 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(b) *Classification and subsequent measurement*

▪ *Financial assets*

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

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

i) Financial asset at amortized cost

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

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

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

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

a. Debt instruments

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

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

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

b. Equity instruments

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

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

ii) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

▪ **Financial assets (continued)**

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

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.

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 14](#) 'Derivatives'.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(b) Classification and subsequent measurement (continued)

■ Financial assets (continued)

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

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

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

■ Financial liabilities

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

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

The Group's financial liabilities include customers' deposits, 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 consolidated 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(c) *Derecognition*

■ *Financial assets*

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

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

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

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

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

■ *Financial liabilities*

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

(d) *Modifications of financial assets and financial liabilities*

■ *Financial assets*

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

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

■ *Financial liabilities*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(e) Impairment of financial assets

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

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

No impairment loss is recognized on equity investments recognized under IFRS 9 requirements.

The Group measures impairment allowances either using the general approach or simplified approach as considered appropriate.

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

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(e) Impairment of financial assets (continued)

The Group categorizes 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.

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 43](#).

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.5 Financial Instruments (continued)

(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.

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

*(All amounts in million SAR unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3.5 Financial Instruments (continued)*****(h) Presentation of ECL in the consolidated statement of financial position (continued)***■ **Debt instruments measured at FVOCI**

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

(i) Write off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries are netted off against the ECL charges.

(j) Collaterals■ **Collateral Valuation**

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

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

■ **Collateral repossessed by the Group's banking entities**

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

■ **Collateral repossessed by the external agents of the Group's banking entities**

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

(k) Offsetting of financial instruments

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****3.5 Financial Instruments (continued)*****(1) Sale and repurchase agreements (including securities lending and borrowings)***

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

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

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

3.6 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.

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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES THAT APPLY TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3.6 Foreign currencies (continued)

(a) Transactions and balances (continued)

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.

3.7 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.

3.8 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia 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 judgments, 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 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 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.

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

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

Determining whether the Group has control of an entity is based on ownership of the majority of the voting rights however in certain instances this determination will involve significant judgment. The Group considers it controls various entities with less than 50% of the voting rights (de facto control). 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 classified as subsidiaries and their operations 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. Significant entities are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>1 January 2021</u>
Saudi National Bank (SNB)	37.57%	37.24%	44.29%
Industrialization & Energy Services Company (Taqa)	54.00%	45.79%	45.79%

4.2 Non-consolidation of investments in which the Group holds more than 50% of voting rights

The Group considers certain investments as an associate despite having more than 50% of voting rights. This is due to the involvement of another party, who has the right to direct the relevant activities of the entities. Accordingly, the Fund is only able to exercise significant influence over the entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.2 Non-consolidation of investments in which the Group holds more than 50% of voting rights (continued)**

Significant entities are as follows:

	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Saudi Electricity Company (SEC) (refer to note 4.6)	75.10%	75.10%	75.10%
Saudi Information Technology Company (SITE)	100.00%	100.00%	100.00%
Fund of Funds Company (Jada) (transferred to Subsidiary in 2022, refer to note 11)	-	100.00%	100.00%
Elm Company (transferred to Subsidiary in 2021, refer to note 11)	-	-	100.00%

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 Fund evaluates significant influence over entities based on various factors including voting rights held by the Fund 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.

Significant entities are as follows:

Entity name	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Alinma Bank	10.06%	10.07%	10.00%
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	17.50%	24.81%	24.81%
Aston Martin Lagonda Global Holding plc	18.70%	-	-
Abou Kir Fertilizers	19.82%	-	-

4.5 Investment in joint ventures

The Group has assessed that it has joint control over some of its investments (refer to [note 11](#)), 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***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 no longer controls the relevant activities of SEC and has significant influence based on its shareholding and representation in the Ministerial Committee. Accordingly, SEC is classified as an associate from the establishment of Ministerial Committee.

4.7 Classification of investment in funds

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

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

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

4.8 Structured entities

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

SoftBank Fund is not consolidated because the Group does not control SoftBank Fund through voting rights, contract, funding agreements, or other means. The extent of the Group's interests in unconsolidated structured entity will vary depending on SoftBank Fund's business objectives. The Group invests in SoftBank Fund whose objective range from achieving medium to long term capital growth. SoftBank Fund is managed by unrelated investment manager i.e. fund manager and apply various investment strategies to accomplish the investment objectives. SoftBank Fund finances its operations by offering a limited partnership which entitles the holder to a proportional stake in SoftBank Fund's net assets. The Group holds limited partnership interest in SoftBank Fund (refer to [note 46](#)).

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 obligation(s) embedded in the contracts. Based on the assessment, the Group determines the performance obligation(s) with respect to the customer contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***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 where 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) Customer activation service fees for telecom services

Customer activation service fees are deferred and recognized over the average of customer retention period (period of contract or anticipated contract). The estimation of the expected average duration of the relationship is based on historical turnover. If the Group's estimates are revised, material differences may result in the amount of revenue and timing of revenue for any period.

(e) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.9 Revenue from contracts with customers (continued)****(f) 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.

(g) 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

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

4.11 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4.12 Useful lives of right-of-use assets

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

4.13 Development, exploration and evaluation expenditure

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

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

4.14 Stripping costs

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

An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tons) 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 tons) of waste to be stripped for an expected volume (e.g., in tons) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

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

4.15 Commercial production start date

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

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

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

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

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

4.17 Estimated useful lives of intangible assets with finite lives

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

4.18 Mineral resource and ore reserve estimates

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

The ore reserve estimates of the Group have been determined based on long-term commodity price forecasts and cut-off grades. Any material changes 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.19 Depreciation and depletion (Unit-Of-Production (UOP) method) – Mine properties**

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

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

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

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

4.20 Impairment of non-financial assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.20 Impairment of non-financial assets (continued)*****Impairment assessment of goodwill***

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the CGUs is 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 8](#). 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 (i.e. subsidiary).

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 off in this circumstance is measured based on the relative values of the operation disposed-off 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.

4.22 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated financial statements 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 categorizing 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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.22 Fair value measurement of financial instruments (continued)**

For assets and liabilities that are recognized in the 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 analyzed.

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

4.24 Impairment on other financial assets

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.24 Impairment on other financial assets (continued)**

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 43](#).

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 Classification of property

The Group determines whether a property is classified as investment property, owner-occupied property or inventory property:

- investment property comprises land and buildings (principally offices, retail and residential property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- property being developed for the Group's own use and hotels under-development for which the operational model is to outsource the day-to-day functions to an operator and risks or exposure over cash flows is with the Group, are classified as owner-occupied property.
- inventory property comprises property that is held for sale in the ordinary course of business and is classified as inventory property.

The Group determines whether a property qualifies as an investment property. In doing so, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. In some instances, part of a property may be held to earn rentals or for capital appreciation purposes and the remaining part of the same property may be held for use in the production or supply of goods or services or for administrative purposes. If these parts can be sold separately (or leased out separately under a finance lease), the Group accounts for these parts separately. If these parts cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Management applies judgment to determine whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its assessment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

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

4.27 Assets held for sale

The Group announced its decision to discontinue certain subsidiaries as disclosed in [note 21](#). 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

4.28 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 realizable 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.

4.29 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.

4.30 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.31 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 exist in such claims. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

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

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

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

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

4.32 Employee Benefits

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

(a) Discount rate

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

(b) Mortality rate

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

(c) Salary rate and future pension increase

Estimates of future salary increase, takes into account inflation, seniority, promotion and past history. Further details about employees' benefits liabilities are provided in [note 25](#).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****4.33 Zakat, income tax and deferred tax**

Wholly owned subsidiaries within the Group, that are not exempted (refer to [note 12](#)), 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 exempted 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.

4.34 Fair value of contingent consideration of players' registrations

The costs associated with the acquisition of players' and key football management staff registrations include an estimate of the fair value of any contingent consideration. The estimate of the fair value of the contingent consideration payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual basis. The estimate over the probability of contingent consideration payable could impact the net book value of registrations and amortization recognized in the consolidated statement of profit or loss.

5. FIRST TIME ADOPTION OF IFRS

These consolidated financial statements for the year ended 31 December 2022 are the first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards, interpretations and pronouncements issued in the Kingdom of Saudi Arabia.

Prior to the year beginning 1 January 2022, the Fund prepared its audited financial statements in accordance with the previous accounting policies approved by Board of Directors of the Fund, which is a Special Purpose Financial Reporting Framework that is different than the IFRS as endorsed in Kingdom of Saudi Arabia "the Special Purpose Financial Reporting Framework"). Under the Special Purpose Financial Reporting Framework, the Fund was not required to prepare consolidated financial statements and followed the equity method of accounting for its investment in subsidiaries, associates and joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

These consolidated financial statements are prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia. In compliance with requirements of IFRS 1 "Adoption of International Financial Reporting Standards for the First Time", the Group's opening statement of consolidated financial position was prepared as at 1 January 2021 after incorporating required adjustments to reflect the transition to IFRS as endorsed in Kingdom of Saudi Arabia from the Special Purpose Financial Reporting Framework.

This note explains the principal adjustments made by the Group in restating its financial statements prepared under the Special Purpose Financial Reporting Framework in order to prepare the consolidated financial statements for the year ended 31 December 2022, including the opening consolidated statement of financial position as at 1 January 2021 (the Group's date of transitioning from the Special Purpose Financial Reporting Framework to IFRS as endorsed in Kingdom of Saudi Arabia).

5.1 Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

Business combinations

'IFRS 3 - Business combinations' has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates or joint ventures that occurred before 1 January 2021. The Group has opted not to apply business combinations retrospectively to past business combinations or acquisitions of interests in associates or joint ventures. Since the Fund did not prepare consolidated financial statements under the Special Purpose Financial Reporting Framework, in its opening consolidated statement of financial position the Group has recognized all the assets and liabilities of the subsidiaries at the same amount as per the financial statements of the subsidiaries which are prepared in accordance with IFRS endorsed in the Kingdom of Saudi Arabia as at 1 January 2021, after adjusting for consolidation adjustments as required by IFRS 1.

The Group calculated the amount of goodwill, if any, as at 1 January 2021 being the difference between:

- the cost of the investment i.e. the Special Purpose Financial Reporting Framework carrying value of investments in subsidiaries, associates or joint ventures; and
- the Fund's interest in carrying amount of net assets of the subsidiaries, associates or joint ventures as at 1 January 2021.

In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognized on goodwill at 1 January 2021.

No goodwill is recognized in respect of the subsidiaries which are not acquired in a business combination and were formed by the Fund. If the cost of the investment in subsidiaries, associates or joint ventures is lower than the proportionate share of investee's net assets at the date of transition to IFRS, the difference is recognized in the retained earnings as bargain purchase.

5.2 Exceptions to the retrospective application of other IFRSs

Estimates

The estimates at 31 December 2022 are consistent with those made for the same date in accordance with the Special Purpose Financial Reporting Framework (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS endorsed in the Kingdom of Saudi Arabia reflect conditions at 1 January 2021, the date of transition to IFRS endorsed in the Kingdom of Saudi Arabia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

5.3 Reconciliation of Group's equity as at 01 January 2021 (date of transition to IFRS as endorsed in the Kingdom of Saudi Arabia)

		<i>Special Purpose Financial Reporting Framework (unconsolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 01 January 2021</i>
	<i>Notes</i>			
ASSETS				
Non-current assets				
Property, plant and equipment	<i>a, f</i>	140	143,144	143,284
Mine properties	<i>a</i>	-	10,672	10,672
Intangible assets	<i>a, b, f</i>	55	17,685	17,740
Right-of-use assets	<i>a, f</i>	53	8,669	8,722
Investment properties	<i>a</i>	-	24,588	24,588
Investments in subsidiaries through equity interest	<i>c</i>	246,163	(246,163)	-
Investments in subsidiaries through long- term interest	<i>c</i>	157,240	(157,240)	-
Investments in associates and joint ventures	<i>a, f</i>	99,200	17,323	116,523
Deferred tax assets	<i>a</i>	-	846	846
Inventories	<i>a</i>	-	195	195
Derivatives	<i>a</i>	-	9,373	9,373
Promissory notes	<i>f</i>	235,901	(18,750)	217,151
Investment securities	<i>a, d, g</i>	-	469,214	469,214
Equities, managed funds and similar securities	<i>d, f</i>	315,868	(315,868)	-
Financial assets held at amortized cost	<i>d, f</i>	31,902	(31,902)	-
Due from subsidiaries	<i>c, f</i>	1,462	(1,462)	-
Financial assets held at FVTPL	<i>d, f</i>	9,101	(9,101)	-
Other assets	<i>a, d, g</i>	-	42,463	42,463
Financing and advances	<i>a</i>	-	172,783	172,783
Cash and deposits with banks and other financial institutions	<i>a</i>	-	13,631	13,631
		1,097,085	150,100	1,247,185
Current assets				
Inventories	<i>a</i>	-	8,808	8,808
Derivatives	<i>a</i>	-	207	207
Promissory notes	<i>f</i>	-	18,750	18,750
Trade receivables	<i>a</i>	-	31,765	31,765
Investment securities	<i>a, d, f, g</i>	-	268,271	268,271
Other assets	<i>a, d, f, g</i>	2,431	33,000	35,431
Financing and advances	<i>a</i>	-	209,971	209,971
Cash and deposits with banks and other financial institutions	<i>a, f, g</i>	137,674	98,434	236,108
		140,105	669,206	809,311
Assets classified as held for sale	<i>a</i>	-	3,303	3,303
		140,105	672,509	812,614
TOTAL ASSETS		1,237,190	822,609	2,059,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.3 Reconciliation of Group's equity as at 01 January 2021 (date of transition to IFRS as endorsed in the Kingdom of Saudi Arabia) (continued)**

	<i>Notes</i>	<i>Special Purpose Financial Reporting Framework (unconsolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 01 January 2021</i>
EQUITIES AND LIABILITIES				
Equity				
Capital contribution		364,673	-	364,673
Additional capital contribution		288,813	-	288,813
Retained earnings	<i>a, b</i>	487,944	(1,410)	486,534
General reserve		30,589	-	30,589
Other reserves	<i>a</i>	12,964	31	12,995
Equity attributable to owner of the Fund		1,184,983	(1,379)	1,183,604
Non-controlling interest	<i>a</i>	-	91,206	91,206
Total equity		1,184,983	89,827	1,274,810
Non-current liabilities				
Employees' benefits	<i>a, f</i>	49	8,849	8,898
Deferred tax liabilities	<i>a</i>	-	1,155	1,155
Provisions	<i>a</i>	-	2,981	2,981
Loans and borrowings	<i>a, f, g</i>	41,179	77,576	118,755
Lease liabilities	<i>a, f, g</i>	36	7,339	7,375
Deferred government grants	<i>a, g</i>	-	3,947	3,947
Derivatives	<i>a</i>	-	11,687	11,687
Customer deposits	<i>a, g</i>	-	1,801	1,801
Trade and other payables	<i>a</i>	-	11,207	11,207
Payables on behalf of the Owner	<i>f</i>	5,091	(5,091)	-
		46,355	121,451	167,806
Current liabilities				
Provisions	<i>a, f</i>	1,216	4,409	5,625
Loans and borrowings	<i>a, g</i>	-	77,878	77,878
Lease liabilities	<i>a, f</i>	22	1,633	1,655
Derivatives	<i>a</i>	-	827	827
Trade and other payables	<i>a, f</i>	4,614	75,719	80,333
Customer deposits	<i>a, g</i>	-	445,422	445,422
Zakat and income tax liabilities	<i>a</i>	-	4,296	4,296
		5,852	610,184	616,036
Liabilities related to assets held for sale	<i>a</i>	-	1,147	1,147
		5,852	611,331	617,183
Total liabilities		52,207	732,782	784,989
TOTAL EQUITY AND LIABILITIES		1,237,190	822,609	2,059,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.4 Reconciliation of Group's equity as at 31 December 2021**

	<i>Notes</i>	<i>Special Purpose Financial Reporting Framework (unconsolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 31 December 2021</i>
ASSETS				
Non-current assets				
Property, plant and equipment	<i>a, f</i>	122	165,380	165,502
Mine properties	<i>a</i>	-	11,688	11,688
Intangible assets	<i>a, b, f</i>	107	68,385	68,492
Right-of-use assets	<i>a</i>	31	10,018	10,049
Investment properties	<i>a</i>	-	37,105	37,105
Investments in subsidiaries through equity interest	<i>c</i>	374,035	(374,035)	-
Investments in subsidiaries through long-term interest	<i>c</i>	143,993	(143,993)	-
Investments in associates and joint ventures	<i>a, f</i>	98,118	20,352	118,470
Deferred tax assets	<i>a</i>	-	881	881
Inventories	<i>a</i>	-	877	877
Derivatives	<i>a</i>	-	8,667	8,667
Promissory notes	<i>d, f</i>	222,303	(33,750)	188,553
Investment securities	<i>a, d, f, g</i>	-	656,815	656,815
Equities, managed funds and similar securities	<i>d, f</i>	397,279	(397,279)	-
Financial assets held at amortized cost	<i>d, f</i>	24,968	(24,968)	-
Due from subsidiaries	<i>c, f</i>	875	(875)	-
Financial assets held at FVTPL	<i>d, f</i>	10,484	(10,484)	-
Other non-current assets	<i>a, d, g</i>	-	23,513	23,513
Financing and advances	<i>a</i>	-	234,220	234,220
Cash and deposits with banks and other financial institutions	<i>a, g</i>	-	1,263	1,263
		1,272,315	253,780	1,526,095
Current assets				
Inventories	<i>a</i>	-	11,669	11,669
Derivatives	<i>a</i>	-	1,269	1,269
Promissory notes	<i>f</i>	-	33,750	33,750
Trade receivables	<i>a</i>	-	54,330	54,330
Investment securities	<i>a, d, g</i>	-	267,617	267,617
Other assets	<i>a, d, f, g</i>	8,309	48,689	56,998
Financing and advances	<i>a</i>	-	301,142	301,142
Cash and deposits with banks and other financial institutions	<i>a, f, g</i>	108,114	172,881	280,995
		116,423	891,347	1,007,770
Assets classified as held for sale	<i>a</i>	-	5,204	5,204
		116,423	896,551	1,012,974
TOTAL ASSETS		1,388,738	1,150,331	2,539,069

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.4 Reconciliation of Group's equity as at 31 December 2021 (continued)**

		<i>Special Purpose Financial Reporting Framework (unconsolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 31 December 2021</i>
	<i>Notes</i>			
EQUITIES AND LIABILITIES				
Equity				
Capital contribution		364,673	-	364,673
Additional capital contribution		315,281	-	315,281
Retained earnings	<i>a, b</i>	597,503	(1,924)	595,579
General reserve		30,589	-	30,589
Other reserves	<i>a</i>	25,680	(647)	25,033
Equity attributable to owner of the Fund		1,333,726	(2,571)	1,331,155
Non-controlling interest	<i>a</i>	-	172,617	172,617
Total equity		1,333,726	170,046	1,503,772
Non-current liabilities				
Employees' benefits	<i>a, f</i>	77	10,336	10,413
Deferred tax liabilities	<i>a</i>	-	1,797	1,797
Provisions	<i>a</i>	-	3,977	3,977
Loans and borrowings	<i>a, f, g</i>	41,208	73,063	114,271
Lease liabilities	<i>a, f</i>	12	8,139	8,151
Deferred government grants	<i>a</i>	-	3,373	3,373
Derivatives	<i>a</i>	-	14,702	14,702
Customer deposits	<i>a, g</i>	-	1,914	1,914
Trade and other payables	<i>a, f</i>	1,340	5,800	7,140
Payables on behalf of the Owner	<i>f</i>	3,719	(3,719)	-
		46,356	119,382	165,738
Current liabilities				
Provisions	<i>a, f</i>	4,709	5,050	9,759
Loans and borrowings	<i>a</i>	-	135,070	135,070
Lease liabilities	<i>a, f</i>	23	2,445	2,468
Derivatives	<i>a</i>	-	1,480	1,480
Trade and other payables	<i>a, f, g</i>	3,924	106,382	110,306
Customer deposits	<i>a, g</i>	-	601,467	601,467
Zakat and income tax liabilities	<i>a</i>	-	4,996	4,996
		8,656	856,890	865,546
Liabilities related to assets held for sale	<i>a</i>	-	4,013	4,013
		8,656	860,903	869,559
Total liabilities		55,012	980,285	1,035,297
TOTAL EQUITY AND LIABILITIES		1,388,738	1,150,331	2,539,069

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.5 Reconciliation of Group's profit for the year ended 31 December 2021**

		<i>Special Purpose Financial Reporting Framework (unconsolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 31 December 2021</i>
	<i>Notes</i>			
CONTINUING OPERATIONS				
Revenue	<i>a, d, e</i>	-	156,887	156,887
Income from investment activities	<i>a, d, e</i>	-	71,352	71,352
Cost of revenue	<i>a, d, e</i>	-	(81,521)	(81,521)
Cost from investment activities	<i>a, d, e</i>	-	(699)	(699)
Other operating income, net	<i>a, d, e</i>	269	7,378	7,647
Selling and distribution expenses	<i>a, d, e</i>	-	(6,976)	(6,976)
Administrative expenses	<i>a, d, e</i>	-	(63,622)	(63,622)
Net impairment losses on financial assets	<i>a, d, e</i>	783	(7,019)	(6,236)
Share of profit of associates and joint ventures, net	<i>a</i>	7,801	834	8,635
Share of profit of subsidiaries	<i>e</i>	18,464	(18,464)	-
Net fair value loss on FVTPL investments	<i>d</i>	(11,321)	11,321	-
Net gain on managed funds and similar securities	<i>d</i>	50,129	(50,129)	-
Interest/ special commission income	<i>d</i>	10,706	(10,706)	-
Dividend income from equities	<i>d</i>	1,600	(1,600)	-
Gain on disposal/deemed disposal of core investments	<i>d, e</i>	25,211	(25,211)	-
Consultancy fees	<i>d</i>	(885)	885	-
Projects expenses	<i>d</i>	(534)	534	-
Investments supervisory expenses	<i>d</i>	(703)	703	-
Staff costs	<i>d, e</i>	(1,458)	1,458	-
Transaction cost	<i>d</i>	(216)	216	-
Other expenses	<i>d, e</i>	(524)	524	-
OPERATING PROFIT		99,322	(13,855)	85,467
Finance cost	<i>a, d, e</i>	(592)	(1,951)	(2,543)
Finance income	<i>a, d, e</i>	-	7,031	7,031
PROFIT BEFORE ZAKAT AND INCOME TAX		98,730	(8,775)	89,955
Zakat and income tax expense	<i>a</i>	-	(4,197)	(4,197)
PROFIT FROM CONTINUING OPERATIONS		98,730	(12,972)	85,758
DISCONTINUED OPERATIONS				
Loss after zakat and income tax for the year from discontinued operations	<i>a</i>	-	(31)	(31)
PROFIT FOR THE YEAR		98,730	(13,003)	85,727

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.6 Reconciliation of Group's total comprehensive income for the year ended 31 December 2021**

		<i>Special Purpose Financial Reporting Framework (un-consolidated)</i>	<i>Reclassification, remeasurements and consolidation adjustments</i>	<i>Basis of preparation (note 2) as at 31 December 2021</i>
	<i>Notes</i>			
PROFIT FOR THE YEAR		98,730	(13,003)	85,727
Other Comprehensive Income				
<i>Items that are or may be reclassified to profit or loss to in subsequent periods (net of tax):</i>				
Foreign currency translation differences of foreign operations	<i>a</i>	(15)	(1,583)	(1,598)
Cash flow hedges – effective portion of changes in fair value	<i>a</i>	-	8	8
Net loss on debt instruments measured at FVOCI – change in fair value	<i>a</i>	-	(961)	(961)
Share of other comprehensive income of associates and joint ventures	<i>a</i>	510	312	822
Reclassification of OCI losses on deemed disposal of an associate to profit or loss	<i>a</i>	-	43	43
Share of other comprehensive loss of subsidiaries	<i>e</i>	(44)	44	-
		451	(2,137)	(1,686)
<i>Items that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Net gain on equity instruments designated at fair value through other comprehensive income	<i>a</i>	14,708	(3,371)	11,337
Remeasurement gain (loss) on employees' defined benefits obligation	<i>a</i>	-	358	358
Share of other comprehensive loss of associates and joint ventures	<i>a</i>	(94)	(116)	(210)
Share of other comprehensive loss of subsidiaries	<i>e</i>	(3,897)	3,897	-
		10,717	768	11,485
Other comprehensive income for the year, net of tax		11,168	(1,369)	9,799
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		109,898	(14,372)	95,526

5.7 The consolidated statement of cash flows

Under the Special Purpose Financial Reporting Framework, the Fund did not prepare consolidated financial statements. Any cash transaction related to its investments in subsidiaries, associates and joint ventures, and proceeds received from disposal of such investments, were considered as part of operating activities. Under IFRS endorsed in the Kingdom of Saudi Arabia, in the consolidated statement of cash flows, the Group has recognized all cash transactions related to its investments in subsidiaries, associates and joint ventures with investing activities, after adjusting for consolidation adjustments. In addition, any proceeds from disposal of subsidiaries that do not result in a loss of control are considered as financing activities. Therefore, cash flow from operating activities decreased by SAR 16,215 million and cash flow from investing and financing activities increased by SAR 435 million and SAR 15,780 million, respectively, for the year ended 31 December 2021. In addition, cash and cash equivalents has increased by SAR 113,905 million and by 70,955 million as at 31 December 2021 and 31 December 2020, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***5. FIRST TIME ADOPTION OF IFRS (continued)****5.8 Notes to the reconciliation of equity as at 1 January 2021 and 31 December 2021 and the reconciliation of profit for the year ended 31 December 2021 and the reconciliation of total comprehensive income for the year ended 31 December 2021****(a) Adjustments on account of consolidation of subsidiaries**

Under the Special Purpose Financial Reporting Framework, the Fund did not prepare consolidated financial statements and investments in subsidiaries were accounted using equity method. Under IFRS endorsed in the Kingdom of Saudi Arabia, in the consolidated statement of financial position as at 1 January 2021, the Group has recognized all the assets and liabilities of the subsidiaries at the same amount as per the financial statements of the subsidiaries which are prepared in accordance with IFRS endorsed in the Kingdom of Saudi Arabia as at 1 January 2021, after adjusting for consolidation adjustments and differences in accounting policies. This resulted in net reduction in retained earnings by SAR 3,334 million.

Also, in the consolidated financial statements, the Group has recognized all the assets, the liabilities, revenues and expenses of the subsidiaries at the same amount as per the financial statements of the subsidiaries which are prepared in accordance with IFRS endorsed in the Kingdom of Saudi Arabia as at 31 December 2021 and 31 December 2022, after adjusting for consolidation adjustments.

(b) Goodwill and gain from a bargain purchase on consolidation of subsidiaries

As detailed in 5.1 above, as at 1 January 2021, the Fund recognized a goodwill amounting to SAR 2,684 million and a bargain purchase gain within retained earnings amounting to SAR 1,966 million upon consolidation of its subsidiaries under IFRS endorsed in the Kingdom of Saudi Arabia.

(c) Elimination of investments in subsidiaries and due from subsidiaries

Under the Special Purpose Financial Reporting Framework, the Group did not prepare consolidated financial statements and has recognized its investments in subsidiaries using equity method. In the consolidated financial statements, the Group has eliminated all the investments in subsidiaries and balances with the subsidiaries.

(d) Reclassifications

In the consolidated financial statements, the Group has reclassified certain investments under the Special Purpose Financial Reporting Framework to "Investment securities" and reclassified certain items of income under Special Purpose Financial Reporting Framework to "Revenue" and certain items of expenses as "Cost of revenue".

(e) Intragroup transactions and balances

Under the Special Purpose Financial Reporting Framework, the Group did not prepare consolidated financial statements and has recognized its investments in subsidiaries using equity method. Under IFRS endorsed in the Kingdom of Saudi Arabia, in the consolidated financial statements, the Group has eliminated intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group.

(f) Presentation of the consolidated statement of financial position

The presentation of the consolidated financial statements follows classified balance sheet presentation, as compared to the order of liquidity applied in the Special Purpose Financial Reporting Framework. In the consolidated statement of financial position, the Group has classified assets and liabilities as current/non-current as explained in [note 3.3](#).

(g) Other reclassifications

Certain items have been reclassified to conform with the classification used for the year ended 31 December 2022 for better presentation. Such reclassifications include reclassifications of items from cash and deposits with banks and other financial institutions to investment securities and reclassification between current assets and non-current assets. These reclassifications have no material impact on reported total assets, profit or loss, total comprehensive income or retained earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (PPE)****Significant accounting policies that apply to property, plant and equipment**

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 qualifying assets if the recognition criteria are met; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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 dismantling and removing of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

When parts of an item of property, plant and equipment have materially different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When the assets are ready for intended use, the assets under construction are transferred to the appropriate category based on the intended use and is accounted for in accordance with the Group Accounting policy, as explained above.

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.

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 labor costs till the date the relevant assets are placed into service.

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.

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted when appropriate, at the end of each reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)****Significant accounting policies that apply to property, plant and equipment (continued)*****Depreciation (continued)***

The following table summarizes the estimated useful lives of the major asset categories of the Group:

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
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. Depreciation is charged to the consolidated statement of profit or loss.

Impairment of property, plant and equipment (PPE)

This accounting policy for impairment of PPE is applied equivalently to the below non-financial assets:

- Mine properties (refer to [note 7](#))
- Intangible assets other than goodwill (refer to [note 8](#))
- Investment properties (refer to [note 10](#))
- Investment in associates and joint ventures (refer to [note 11](#))

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)**

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold improvements</i>	<i>Plant, machinery and equipment</i>	<i>Furniture, fixture and office equipment</i>	<i>Rigs</i>	<i>Transportation assets</i>	<i>Tele-communication network and related equipment</i>	<i>Others</i>	<i>Capital work- in- progress</i>	<i>Total</i>
Cost											
As at 1 January 2022	7,630	53,718	2,302	61,629	7,924	10,285	5,328	110,274	774	34,224	294,088
Additions	843	356	244	1,142	1,038	-	842	614	215	53,563	58,857
Acquired through business combination	2,364	1,787	17	311	219	-	61	17	112	7,320	12,208
Disposals and write offs	-	(383)	(38)	(195)	(130)	-	(37)	(2,675)	-	(302)	(3,760)
Transfers within PPE	(62)	3,109	320	6,009	1,109	-	568	5,936	(596)	(16,393)	-
Related to discontinued operations	(88)	(99)	-	(729)	(111)	(10,285)	(155)	-	-	(988)	(12,455)
Other transfers and adjustments	586	(76)	(97)	19	126	-	(20)	(232)	1,488	(1,746)	48
At 31 December 2022	11,273	58,412	2,748	68,186	10,175	-	6,587	113,934	1,993	75,678	348,986
Accumulated depreciation and impairment losses											
As at 1 January 2022	-	17,338	755	20,006	4,817	6,009	3,404	73,971	139	2,147	128,586
Depreciation charge	-	1,933	280	4,529	1,118	-	292	6,138	108	-	14,398
Impairment loss	-	43	6	301	31	-	18	-	51	2,393	2,843
Acquired through business combination	-	234	7	142	154	-	34	13	9	-	593
Disposals and write offs	-	(185)	(34)	(152)	(106)	-	(19)	(2,659)	-	-	(3,155)
Transfers within PPE	-	(332)	-	31	(1)	-	(55)	368	(62)	51	-
Related to discontinued operations	-	(25)	-	(309)	(70)	(6,009)	(111)	-	-	-	(6,524)
Other transfers and adjustments	-	29	(54)	(61)	79	-	(21)	(27)	54	(216)	(217)
At 31 December 2022	-	19,035	960	24,487	6,022	-	3,542	77,804	299	4,375	136,524
Net carrying value											
Balance at 31 December 2022	11,273	39,377	1,788	43,699	4,153	-	3,045	36,130	1,694	71,303	212,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

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

	<i>Land</i>	<i>Buildings</i>	<i>Leasehold improvements</i>	<i>Plant, machinery and equipment</i>	<i>Furniture, fixture and office equipment</i>	<i>Rigs</i>	<i>Transportation assets</i>	<i>Tele-communication network and related equipment</i>	<i>Others</i>	<i>Capital work- in- progress</i>	<i>Total</i>
Cost											
As at 1 January 2021	4,460	48,528	1,498	58,928	5,973	10,355	4,956	105,372	383	20,406	260,859
Additions	75	453	376	2,259	898	-	449	104	-	27,245	31,859
Acquired through business combination	3,100	2,626	57	199	287	-	13	-	-	444	6,726
Disposals and write offs	-	(630)	(66)	(1,225)	(224)	(25)	(229)	(1,423)	(3)	30	(3,795)
Transfers within PPE	-	2,927	362	1,581	1,045	240	136	6,190	409	(12,890)	-
Other transfers and adjustments	(5)	(186)	75	(113)	(55)	(285)	3	31	(15)	(1,011)	(1,561)
At 31 December 2021	7,630	53,718	2,302	61,629	7,924	10,285	5,328	110,274	774	34,224	294,088
Accumulated depreciation and impairment losses											
As at 1 January 2021	-	16,268	477	17,663	4,171	5,788	3,244	69,201	85	678	117,575
Depreciation charge	-	1,714	212	3,491	768	524	185	6,019	58	-	12,971
Impairment loss	-	1	88	34	33	-	76	-	-	1,502	1,734
Disposals and write offs	-	(585)	(56)	(1,019)	(111)	(26)	(164)	(1,360)	(3)	(1)	(3,325)
Transfers within PPE	-	(25)	15	15	6	-	63	-	3	(77)	-
Other transfers and adjustments	-	(35)	19	(178)	(50)	(277)	-	111	(4)	45	(369)
At 31 December 2021	-	17,338	755	20,006	4,817	6,009	3,404	73,971	139	2,147	128,586
Net carrying value											
Balance at 31 December 2021	7,630	36,380	1,547	41,623	3,107	4,276	1,924	36,303	635	32,077	165,502

During the year ended 31 December 2022, the Group has combined following previously presented asset categories, based on similar nature, to achieve better and uniform presentation.

- “Civil works” and “Buildings” are combined and presented as “Buildings”.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)****6.1 Allocation of depreciation charge for the year**

	2022	2021
Cost of revenue	10,736	10,303
Administrative expenses	3,197	2,639
Relating to discontinued operations	426	-
Others	39	29
	14,398	12,971

Others include selling and distribution expense and depreciation recognized as a part of the cost of other assets.

6.2 Allocation of impairment charge (reversal) for the year

	2022	2021
Cost of revenue	(13)	8
Administrative expenses	2,856	1,726
	2,843	1,734

6.3 Other disclosure related to property, plant and equipment:

- (a) Others category within property, plant and equipment primarily include, cinema theatres, theme park equipment and capitalized service concession assets.
- (b) Other transfers and adjustments mainly include transfer from service concession assets to property, plant and equipment amounting to SAR 1,519 million (2021: nil). It also includes transfer from/to property, plant and equipment to/from assets held for sale and transfers to/from other assets categories such as, intangible assets, investment properties and mine properties.
- (c) Capital work-in-progress primarily includes costs incurred on the development of local projects related to real estate, mining and telecommunications. It includes also costs incurred on the development of buildings, machinery and tooling, plant facilities.
- (d) Property, plant and equipment with a net carrying amount of SAR 20,561 million (2021: SAR 21,562 million, 1 January 2021: SAR 21,833 million) are pledged as security to lenders under the loan agreements/Islamic financing agreements (refer to [note 27](#)).
- (e) During the year ended 31 December 2022, one of the Group's subsidiaries initiated the commissioning activities of one of its projects. The revenue from sales of good produced during the period of such commissioning activities amounted to SAR 1,254 million, which has been recognized in the consolidated statement of profit or loss under revenue. Further, the related cost of production for the period amounted to SAR 170 million, has been recognized in the consolidated statement of profit or loss under cost of revenue. Subsequently, and during the same year, the project has commenced commercial production, accordingly, have been capitalized in property, plant and equipment.
- (f) Non-cash additions during the year amounted to SAR 8,798 million (2021: SAR 945 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***6. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)****6.4 Details of significant impairment tests:**

- (a) The Group has identified indicators that assets under CWIP for two of the projects in real estate might be impaired. The CWIP consists of land preparation, early works, and infrastructure development which are at a very early stage of completion. the decline in recoverable amounts relative to the budgeted cost to complete the assets triggered an impairment indicator. The global economic challenges, mainly high-interest rates and rising inflation have also triggered the impairment indicator. Management determined that real estate project should be considered a separate Cash Generating Unit (CGU) as defined by IAS 36.

The recoverable amount for the projects has been determined based on a value in use calculation using cash flow projections based on the life of the project. The projected cash flows reflect all revenues, operating expenses, net operating income for hotel assets and net sale proceeds and capital expenditure related to the project and extrapolated using a growth rate that is in line with the long-term average growth rate for comparable projects.

Key assumptions used in this analysis included:

Assumptions	2022	2021	Basis of the assumptions
Pre-tax discount rate	8.5% to 9.6%	NA	The WACC determined appropriate for the project. Based on the inputs from third party consultant's forecasts
Growth rate	2.00%	NA	In line with the long-term average growth rate for comparable projects. Based on the inputs from third party consultant's forecasts

Following this test, the Group recognized an impairment loss during the year ended 31 December 2022 of SAR 2,185 million (2021: SAR nil) included in the consolidated statement of profit or loss.

- (b) During the year ended 31 December 2021, a revised Concept Master Plan of one of the Group's subsidiaries was partially approved by the Board of Directors of the respective subsidiary which led to an exercise to review redundant costs that were capitalized as part of the capital work-in-progress ("CWIP") balance. The management of the respective subsidiary determined that certain costs capitalized as part of CWIP were not recoverable. Accordingly, an impairment amount of SAR 1,175 million is recognized in the consolidated statement of profit or loss for the year ended 31 December 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***7. MINE PROPERTIES****Significant accounting policies that apply to mine properties**

Mine properties are stated at cost, net of accumulated depreciation and 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;
- costs directly attributable to bring the asset to its location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of any mine closure, rehabilitation and decommissioning obligation; and
- for qualifying assets, that take a substantial period of time to get ready for their intended use, the applicable borrowing costs.

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 feasibility studies.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***7. MINE PROPERTIES (continued)****Significant accounting policies that apply to mine properties (continued)*****Exploration and evaluation assets (continued)***

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. 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”.

Stripping activity asset and stripping activity expense

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

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

Stripping activities during production stage generally creates two types of benefits being as follows:

- production of inventory; or
- improved access to a component of the ore body to be mined in the future.

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

Where the benefits are realized in the form of improved access to a component of the ore body to be mined in the future, the costs are recognized as a non-current asset, referred to as a ‘Stripping activity asset’, provided that all the following conditions are met:

- it is probable that the future economic benefits associated with the stripping activity will be realized;
- the component of the ore body for which the access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***7. MINE PROPERTIES (continued)****Significant accounting policies that apply to mine properties (continued)*****Stripping activity asset and stripping activity expense (continued)***

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.

Depreciation

Mine properties are depreciated using the unit of production ("UOP") method, where the assets used for run-of-mine activity are depreciated using tons of ore extracted, while the assets used for post run-of-mine activity are depreciated using the recoverable output produced, 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-mine ("LOM"), 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.

Depreciation is charged to the consolidated statement of profit or loss to allocate the cost of the respective assets less its residual value over its useful life.

The following table summarizes the estimated useful lives of the major asset categories of the Group:

Item	Useful life
Mine properties	Using UOP method over the economically recoverable proven and probable reserves or straight-line method over the economic useful life (as mentioned below), whichever is shorter
Land and buildings	4 to 50 years
Plant and equipment	4 to 40 years
Office equipment, furniture and fittings	4 to 10 years
Motor vehicles	4 years

Mine properties residual values and estimated economic useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment of mine properties

The accounting policy related to impairment of mine properties is equivalent to the accounting policy of impairment of property, plant and equipment (refer to [note 6](#)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

7. MINE PROPERTIES (continued)

	<i>Exploration and evaluation assets</i>	<i>Mines under construction</i>	<i>Operating Mines</i>					<i>Mining capital work-in-progress</i>	<i>Total</i>
			<i>Plant and equipment^(a)</i>	<i>Land and buildings^(a)</i>	<i>Mine closure and rehabilitation provision</i>	<i>Stripping activity asset</i>	<i>Others^(b)</i>		
Cost									
As at 1 January 2022	429	2,967	7,654	4,256	466	641	88	407	16,908
Additions during the year	120	424	-	-	-	53	-	238	835
Transfers to/from other categories of mine properties	-	-	171	22	-	-	5	(198)	-
Change in mine closure and rehabilitation provision	-	106	-	-	(207)	-	-	-	(101)
Other transfers and adjustments	(320)	-	400	(31)	(12)	1	(1)	(4)	33
At 31 December 2022	229	3,497	8,225	4,247	247	695	92	443	17,675
Accumulated depreciation and impairment									
As at 1 January 2022	-	-	3,361	1,374	88	319	78	-	5,220
Depreciation charge for the year ^(c)	-	-	474	204	13	84	2	-	777
Impairment during the year ^(c)	-	-	56	32	-	-	-	-	88
Other transfers and adjustments	-	-	(10)	(27)	(13)	-	(1)	-	(51)
At 31 December 2022	-	-	3,881	1,583	88	403	79	-	6,034
Net carrying value at 31 December 2022	229	3,497	4,344	2,664	159	292	13	443	11,641

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

7. MINE PROPERTIES (continued)

	<i>Exploration and evaluation assets</i>	<i>Mines under construction</i>	<i>Operating Mines</i>						<i>Total</i>
			<i>Plant and equipment^(a)</i>	<i>Land and building^(a)</i>	<i>Mine closure and rehabilitation provision</i>	<i>Stripping activity asset</i>	<i>Others^(b)</i>	<i>Mining capital work-in-progress</i>	
Cost									
As at 1 January 2021	268	-	7,768	4,252	375	585	87	1,900	15,235
Additions during the year	161	1,405	-	2	-	75	-	122	1,765
Transfers to/from other categories of mine properties	-	1,562	22	30	-	-	1	(1,615)	-
Change in mine closure and rehabilitation provision	-	-	-	-	91	-	-	-	91
Other transfers and adjustments	-	-	(136)	(28)	-	(19)	-	-	(183)
At 31 December 2021	429	2,967	7,654	4,256	466	641	88	407	16,908
Accumulated depreciation and impairment									
As at 1 January 2021	-	-	2,937	1,191	73	287	75	-	4,563
Depreciation charge for the year ^(c)	-	-	452	185	15	51	3	-	706
Other transfers and adjustments	-	-	(28)	(2)	-	(19)	-	-	(49)
At 31 December 2021	-	-	3,361	1,374	88	319	78	-	5,220
Net carrying value at 31 December 2021	429	2,967	4,293	2,882	378	322	10	407	11,688

(a) During the year, the Group has combined following previously presented asset categories, based on similar nature, to achieve better and uniform presentation as explained below:

- “Mine infrastructure / Buildings” and “Civil works” are combined and presented as “Land and buildings”.
- “Fixed plant and heap leaching” and “Heavy equipment” are combined and presented as “Plant and equipment”.

(b) “Others” category within mine properties include office equipment, furniture and fittings and motor vehicles.

(c) The depreciation charge for the year amounting to SAR 777 million (2021: SAR 706 million) and the impairment charge for the year amounting to SAR 88 million (2021: nil) were fully allocated to cost of revenue.

(d) Mine properties with a net carrying value as at 31 December 2022 amounted to SAR 7,541 million (as at 31 December 2021: SAR 7,166 million, as at 1 January 2021: SAR 6,178 million) are pledged as security to lenders under the Common Term Agreements (refer to [note 27](#)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***7. MINE PROPERTIES (continued)****7.1 Impairment of mine properties**

As at 31 December 2022, the management of a subsidiary of the Group identified certain impairment indicators in three of its mines and each mine is considered as a separate CGU, and performed impairment assessment for mine properties and right-use-assets of such CGUs. The impairment indicators were driven by the latest ore reserves reports and the approved business plan based on such ore reserve reports, which resulted in decrease in the proven and probable reserves, and ultimately the planned mining related to these mines.

Based on such impairment assessments, the Group recognized impairment losses during the year ended 31 December 2022 amounting to SAR 88 million for mine properties of these CGUs.

The recoverable amount of the CGUs has been determined based on value-in-use calculations, where the cash flow projections have been derived from approved business plans and pre-tax discount rate used to arrive at recoverable value is 9.41%. The impairment loss is recognized within cost of sales in the consolidated statement of profit or loss.

8. INTANGIBLE ASSETS**Significant accounting policies that apply to 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.

Subsequent expenditure is capitalized only when it increases the future economic benefits of the embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in the consolidated statement of profit or loss as 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 live 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

8. INTANGIBLE ASSETS (continued)

**Significant accounting policies that apply to intangible assets (continued)**

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.

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.

Players' and key football management staff registrations

The acquisition of players' and key football management staff registrations are capitalized as intangible assets at cost. Costs include transfer fees, any League levy fees, agents' fees incurred by the club and other directly attributable costs. Costs also include the fair value of any contingent consideration, which is primarily payable to the player's former club (with associated levy fees payable to any League), once payment becomes probable. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's and key football management staff registration.

- **Contingent consideration:** Under the conditions of certain transfer agreements, further fees may be become payable to the selling club or other vendors in the event of the player concerned making a certain number of first team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional payments are accounted for when it becomes probable that the number of required appearances will be achieved or the specified future events will occur. The balance of potential costs is included as a contingent liability. Any additional liabilities or payments made under these agreements are added to the cost of players' registration within intangible assets.

Registrations costs are fully amortized using the straight-line method over the period covered by the player's and key football management staff contract. Where a contract is extended, any costs associated with securing the extension are added to the unamortized balance (at the date of the amendment) and the revised book value is amortized over the remaining revised contract life.

Assets available for sale (principally players' registrations) are classified as assets held for sale when their carrying value is expected to be recovered principally through a sale transaction and a sale is considered to be highly probable. Highly probable is defined as being actively marketed by the club, with unconditional offers having been received prior to the end of a reporting period. These assets would be stated at the lower of the carrying amount and fair value less costs to sell.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)****Significant accounting policies that apply to intangible assets (continued)*****Players' and key football management staff registrations (continued)***

Gains and losses on disposal of players' and key football management staff registrations are determined by comparing the fair value of the consideration receivable, net of any transaction costs, with the carrying amount and are recognized separately in profit or loss within profit on disposal of intangible assets. Where a part of the consideration receivable is contingent on specified performance conditions, this amount is recognized in profit or loss when receipt is virtually certain. Loan income on players temporarily loaned to other football clubs is recognized separately in profit or loss within profit on disposal of intangible assets.

Amortization

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 licenses	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
Player registrations	Straight line over the period covered by player's staff contract
Others*	Up to 35 years

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

Impairment of intangible assets (other than goodwill)

The accounting policy related to impairment of intangible assets with finite useful lives (other than players' registration) is equivalent to the accounting policy of impairment of property, plant and equipment (refer to [note 6](#)).

Intangible assets with indefinite useful lives, other than goodwill, are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

For players' registration, the Group will perform an impairment review on player and key football management staff registrations, if adverse events indicate that the amortized carrying value of the asset may not be recoverable. Management does not consider that it is possible to determine the value in use of an individual player or key football management staff in isolation as that individual (unless via a sale or insurance recovery) cannot generate cash flows on their own. While management does not consider any individual can be separated from the single cash generating unit ("CGU"), being the operations of the Club as a whole, there may be certain circumstances where an individual is taken out of the CGU, when it becomes clear that they will not participate with the club's men's first team again, for example, a player sustaining a career threatening injury or is permanently removed from the men's first team playing squad for another reason. If such circumstances were to arise, the carrying value of the individual would be assessed against the Group's best estimate of the individual's fair value less any costs to sell and an impairment charge made in operating expenses reflecting any loss arising.

Impairment of goodwill

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

8. INTANGIBLE ASSETS (continued)

	<i>Goodwill</i>	<i>Software and licenses</i>	<i>Tele- communication licenses</i>	<i>Technical developments</i>	<i>Contract intangibles</i>	<i>Others</i>	<i>Capital work- in-progress</i>	<i>Total</i>
Cost								
As at 1 January 2022	42,928	19,554	8,905	2,080	2,782	12,479	789	89,517
Additions during the year	27	535	79	378	287	3,258	4,158	8,722
Acquired through business combination	5,518	238	-	4	26	1,336	-	7,122
Disposals and write offs	-	(638)	(45)	-	(272)	(77)	(47)	(1,079)
Transfers from / to CWIP during the year	-	2,360	-	570	36	-	(2,966)	-
Related to discontinued operations	-	(32)	-	-	-	-	-	(32)
Other transfers and adjustments	(106)	918	(2)	37	2	364	336	1,549
At 31 December 2022	48,367	22,935	8,937	3,069	2,861	17,360	2,270	105,799
Accumulated amortization and impairment losses								
As at 1 January 2022	640	14,152	3,603	141	1,335	1,154	-	21,025
Amortization charge for the year	-	2,113	519	429	351	2,360	-	5,772
Impairment charge for the year	110	36	-	-	-	7	10	163
Acquired through business combination	-	78	-	1	16	121	-	216
Disposals and write offs	-	(615)	(45)	-	(272)	(76)	-	(1,008)
Related to discontinued operations	-	(28)	-	-	-	-	-	(28)
Other transfers and adjustments	-	271	8	11	11	(15)	-	286
At 31 December 2022	750	16,007	4,085	582	1,441	3,551	10	26,426
Net carrying value								
Balance at 31 December 2022	47,617	6,928	4,852	2,487	1,420	13,809	2,260	79,373

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)**

	<i>Goodwill</i>	<i>Software and licenses</i>	<i>Tele- communication licenses</i>	<i>Technical developments</i>	<i>Contract intangibles</i>	<i>Others</i>	<i>Capital work-in- progress</i>	<i>Total</i>
Cost								
As at 1 January 2021	4,634	17,243	8,866	46	2,536	1,142	1,048	35,515
Additions during the year	29	538	41	1,398	261	1	1,845	4,113
Acquired through business combination	38,239	142	-	92	-	11,345	-	49,818
Disposals and write offs	-	(346)	-	-	(254)	-	-	(600)
Transfers during the year	-	1,390	(4)	543	145	-	(2,074)	-
Other transfers and adjustments	26	587	2	1	94	(9)	(30)	671
At 31 December 2021	42,928	19,554	8,905	2,080	2,782	12,479	789	89,517
Accumulated amortization and impairment losses								
As at 1 January 2021	615	12,531	3,118	29	1,271	211	-	17,775
Amortization charge for the year	-	1,777	485	112	314	883	-	3,571
Impairment charge for the year	25	-	-	-	-	-	-	25
Disposals and write offs	-	(71)	-	-	(254)	-	-	(325)
Other transfers and adjustments	-	(85)	-	-	4	60	-	(21)
At 31 December 2021	640	14,152	3,603	141	1,335	1,154	-	21,025
Net carrying value								
Balance at 31 December 2021	42,288	5,402	5,302	1,939	1,447	11,325	789	68,492

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)****8.1 Allocation of amortization charge for the year:**

	2022	2021
Cost of revenue	1,301	679
Administrative expenses	3,979	2,888
Others	492	4
	5,772	3,571

Others include research and development and selling and distribution expenses

8.2 Other disclosures related to intangible assets:

- (a) As at 1 January 2021, the cost includes the goodwill arising from the application of IFRS 1, First-time Adoption of International Financial Reporting Standards, and the exemption elected not to apply IFRS 3, Business Combinations, amounting to SAR 2,684 million (refer to [note 5](#)).
- (b) Others category in intangible assets primarily include core deposit intangible, customer relationships, brands, team squad and trademarks mainly acquired through business combination (refer to [note 45](#)). Also, it includes payments to golf players for their participation in golf tournaments ("Players' payments").
- (c) Other transfers and adjustments mainly include transfer from property, plant and equipment amounting to SAR 1,081 million (2021: SAR 736 million).
- (d) The following is the net book value and expiry dates of the telecommunication licenses and frequency spectrum

Country	End of amortization period	Net book value		
		<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Saudi Arabia	2029/2032/2033/2034	2,628	2,892	3,149
Kuwait	2033/2039	1,605	1,749	1,892
Bahrain	2031/2034/2038	619	661	707
Total		4,852	5,302	5,748

- (e) Non-cash additions during the year ended 31 December 2022 amounted to SAR 1,114 million (2021: SAR 106 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)****8.3 Impairment test on goodwill**

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

(a) The Saudi National Bank (SNB)

Intangible assets as at 31 December 2022 include goodwill of SAR 34,007 million (as at 31 December 2021: SAR 34,007 million; as at 1 January 2021: SAR nil) arising from the merger of Saudi National Bank ("SNB"), a subsidiary of the Group, with Samba Financial Group ("Samba") during 2021 (refer to [note 45](#)). The Group has performed an annual impairment test as at 31 December 2022 and as at 31 December 2021 in respect of the goodwill allocated to Retail and Wholesale segments as CGUs based on forecasted cash flows.

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

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

Assumptions	2022	2021	Basis of the assumptions
Discount rate	11.00%	9.25%	Using the Cost of Equity ("CoE") that reflect management's estimate of Return on Capital Employed ("ROCE") required in each business.
Growth rate	4.50%	4.50%	Provided by macro-economic research and analyst reports

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

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

On the transition date 1 January 2021, the Group has recognized goodwill amounting to SAR 2,587 million related to Ma'aden, a subsidiary of the Group. 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 is required for the years ended 31 December 2021 and 31 December 2022.

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

Intangible assets as at 31 December 2022 include goodwill of SAR 2,740 million (as at 31 December 2021: SAR 2,740 million; as at 1 January 2021: SAR nil) arising from the acquisition of Magic Leap during August 2021 by PIF. The Group performed impairment test for goodwill allocated to Magic Leap CGU based on forecasted cash flows. The recoverable amount of the CGU has been determined based on a value-in-use calculations. The calculations use discounted cash flow projections based on the financial budgets that are approved by management covering a period of 5 years. Beyond 5 years a 2-stage growth model (H-model) was applied, which assumed a linear decline of growth rate from 90% projected by management for year 5 (2021: 90% for 5 years) to 2.2% over a period of 10 years (2021: to 2.2% over a period of 10 years). The H-model is applied to the forecasted cash flow of a normalized Terminal Year ("TY") cash flow in order to estimate the terminal value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)****8.3 Impairment test on goodwill (continued)****(c) Acquisition of Magic Leap ("ML") (continued)**

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

Assumptions	2022	2021	Basis of the assumptions
Discount rate	53% to 56%	53% to 56%	Based on the required rate of return for venture capital investments in early-stage companies and considering ML's stage of development.
Growth rate	90% and linear decline to 2.2%	90% and linear decline to 2.2%	Based on a 2-stage growth model (H-model).

Based on the results of the impairment test of the goodwill, it was concluded that no impairment is required for the years ended 31 December 2021 and 31 December 2022.

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.

(d) Saudi Arabian Military Industries Company (SAMI)

Intangible assets as at 31 December 2022 include goodwill of SAR 1,068 million (as at 31 December 2021: SAR 1,068 million; as at 1 January 2021: nil) arising from the acquisition of "Advanced Electronics Company" during 2021.

During the year, management conducted an impairment assessment of the goodwill by comparing the recoverable value of the cash generating unit related to Advanced Electronics Company "CGU" with the carrying value of the goodwill. The recoverable amount is determined based on a value in use calculation using a cash flow projection from financial budgets approved by senior management covering a five-year period.

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

Assumptions	2022	2021	Basis of the assumptions
Discount rate	12.80%	-	Based on the estimated cost of equity calculated using Capital Asset Pricing Model (CAPM) methodology and post-tax cost of debt based on the group capital structure
Growth rate	2.00%	-	Based on the management's estimate of the long-term business growth until perpetuity, consistent with the assumptions that the market participant may make in the same industry.

Based on the result of this assessment, no impairment was required in during the year ended 31 December 2022. With regard to the assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***8. INTANGIBLE ASSETS (continued)****8.3 Impairment test on goodwill (continued)****(e) The Saudi Electronic Gaming Holding (Savvy) Company**

Intangible assets as at 31 December 2022 include goodwill of SAR 4,998 million, before foreign currency exchange gain effect of SAR 34 million, (as at 31 December 2021 and as at 1 January 2021: nil) arising from the following:

- acquisition of "SGG Esports AB" with a goodwill amounting to SAR 2,732 million;
- the acquisition of "FACE IT Limited" with a goodwill amounting to SAR 2,266 million

The recoverable amount of goodwill is determined based on value-in-use calculations. The value in use calculations use cash flow projections based on financial budgets approved by management over a five years period and a relevant terminal growth rate.

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

Assumptions	2022	2021	Basis of the assumptions
Discount rate	8.00%	-	Based on WACC adjusted to reflect specific risk associated with the asset estimated cash flows
Growth rate	2.75%	-	Based on the management best estimate of Company's and industry growth

Based on the result of this assessment, no impairment was required in during the year ended 31 December 2022.

(f) Ayar Third Investment Company

Intangible assets as at 31 December 2022 include goodwill of SAR 227 million (as at 31 December and 1 January 2021: 227 million) arising from the acquisition of Atieva Inc. in 2019 (Atieva Inc. renamed to Lucid Group Inc. – refer to [note 45](#)) by Ayar Third Investment Company. Ayar Third Investment Company performed impairment test for goodwill allocated to Lucid Group Inc. CGU based on fair value less cost to sell as a recoverable amount. To arrive at the fair value less costs to sell at years ended 31 December 2022 and 31 December 2021, respectively, the 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 is required for the year ended 31 December 2022.

(g) NCUK Investment Limited ("NCUK")

Intangible assets as at 31 December 2022 include goodwill of SAR 474 million, after foreign currency exchange effect of SAR 9 million, (as at 31 December 2021: provisional goodwill of SAR 404 million) arising from the acquisition of Newcastle United Limited ("Newcastle" or "NUFC") during October 2021 by NCUK (refer to [note 45](#)).

The Group consider there to be one material cash generating unit ("CGU") for the purposes of the annual impairment review for the Goodwill, being the operation of the Group as a whole including a professional football club. The Group does not consider any individual player or staff to be separated from the single CGU. However, in certain circumstances an individual may be taken out of the CGU, when it becomes clear that they will not participate with the Club's men's first team.

The recoverable amount of the CGU is determined based on a value-in-use calculation. This calculation requires the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these cash flows. The value-in-use calculations have used pre-tax cash flow projections based on the financial budgets approved by management. The key assumptions include the pre-tax discount rate, certain assumptions and forecasted revenue related to progression in domestic and UEFA club competitions, and registrations capital expenditure.

Based on the result of the impairment test performed, no impairment is required for the year ended 31 December 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

9. RIGHT-OF-USE ASSETS

**Significant accounting policies that apply to 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 depreciation 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 depreciated 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, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

- **Lease liabilities (refer to [note 28](#))**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

9. RIGHT-OF-USE ASSETS (continued)



Significant accounting policies that apply to leases (continued)

(a) Group as a lessee (continued)▪ **Lease and non-lease components**

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

(b) Group as a lessor

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

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

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

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

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

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

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

At the subsequent measurement, the Group apply IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

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

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

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as rental income.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***9. RIGHT-OF-USE ASSETS (continued)**

			<i>Plant, machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Cost:	<i>Land</i>	<i>Buildings</i>			
As at 1 January 2022	4,557	6,858	1,508	2,289	15,212
Additions	1,344	1,060	47	1,300	3,751
Remeasurements	92	-	3	93	188
Acquired through business combination	40	71	-	15	126
Related to discontinued operations	-	-	-	(20)	(20)
Disposals	(126)	(276)	(2)	(242)	(646)
Other transfers and adjustments	(271)	(309)	(7)	47	(540)
At 31 December 2022	5,636	7,404	1,549	3,482	18,071
Accumulated depreciation and impairment losses:					
As at 1 January 2022	1,523	2,155	418	1,067	5,163
Depreciation charge	693	880	138	737	2,448
Impairment charge	-	20	2	-	22
Acquired through business combinations	11	25	-	-	36
Related to discontinued operations	-	-	-	(11)	(11)
Disposals	(82)	(94)	(1)	(235)	(412)
Other transfers and adjustments	(39)	(30)	10	13	(46)
At 31 December 2022	2,106	2,956	567	1,571	7,200
Carrying value at 31 December 2022	3,530	4,448	982	1,911	10,871

			<i>Plant, machinery and equipment</i>	<i>Others</i>	<i>Total</i>
Cost:	<i>Land</i>	<i>Buildings</i>			
As at 1 January 2021	3,447	5,133	1,471	2,133	12,184
Additions	1,343	1,247	68	355	3,013
Remeasurements	157	(1)	-	(2)	154
Acquired through business combination	70	684	5	7	766
Disposals	(287)	(291)	(25)	(82)	(685)
Other transfers and adjustments	(173)	86	(11)	(122)	(220)
At 31 December 2021	4,557	6,858	1,508	2,289	15,212
Accumulated depreciation and impairment losses:					
As at 1 January 2021	941	1,437	321	763	3,462
Depreciation charge	698	799	118	370	1,985
Impairment charge	-	42	-	-	42
Disposals	(119)	(157)	(20)	(52)	(348)
Other transfers and adjustments	3	34	(1)	(14)	22
At 31 December 2021	1,523	2,155	418	1,067	5,163
Carrying value at 31 December 2021	3,034	4,703	1,090	1,222	10,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***9. RIGHT-OF-USE ASSETS (continued)****9.1 Allocation of depreciation charge for the year**

	2022	2021
Cost of revenue	1,340	1,120
Administrative expenses	1,072	823
Others	36	42
Total	2,448	1,985

Others include selling and distribution expenses, related to discontinued operations and amount recognized as an addition to the cost of assets, as it is eligible for capitalization.

9.2 Lease expenses where recognition exemptions are applied and variable lease payments included in the consolidated statement of profit or loss:

	2022	2021
Leases expenses related to short term leases and variable lease payments		
Cost of revenue	583	540
Administrative expenses	272	244
Others	15	7
Total	870	791

Others include selling and distribution expenses and research and development cost.

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

- (a) Others category in right-of-use assets 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 properties, plant, machinery, vehicles, office space and other equipment used in its operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

10. INVESTMENT PROPERTIES

**Significant accounting policies that apply to investment properties**

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

Investment properties including land are initially measured at cost, including related transaction cost. Investment properties (except land) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less impairment, if any. Such cost includes the cost of replacing part of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

- Buildings 5 to 50 years

An item of investment properties and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of profit or loss when the asset is derecognized.

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

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

Hospitality properties

For hospitality properties, the Group has assessed that providing short term accommodation does not meet the definition of an investment property and thus these properties are classified as property, plant and equipment.

Transfers of investment properties from the Owner

Where any investment properties are transferred from the Owner to the Group without any consideration, the Group recognize such investment properties at a nominal value (SAR 1).

Impairment of investment properties

The accounting policy related to impairment of investment properties is equivalent to the accounting policy of impairment of property, plant and equipment (refer to [note 6](#)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

10. INVESTMENT PROPERTIES (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Capital work- in- progress</i>	<i>Total</i>
Cost				
As at 1 January 2022	17,322	6,708	16,395	40,425
Additions	3,858	2,476	5,476	11,810
Acquired through business combination	37	-	178	215
Disposals and write offs	(4)	-	(8)	(12)
Transfers within investment properties	-	12,090	(12,090)	-
Other transfers and adjustments	(2,473)	(12)	(21)	(2,506)
At 31 December 2022	18,740	21,262	9,930	49,932
Accumulated depreciation and impairment losses				
As at 1 January 2022	76	1,508	1,736	3,320
Depreciation charge	-	342	-	342
Impairment charge (reversal of impairment)	1	(412)	(29)	(440)
Acquired through business combination	30	-	-	30
Other transfers and adjustments	-	1,059	(1,059)	-
At 31 December 2022	107	2,497	648	3,252
Net carrying value				
Balance at 31 December 2022	18,633	18,765	9,282	46,680
	<i>Land</i>	<i>Buildings</i>	<i>Capital work- in- progress</i>	<i>Total</i>
Cost				
As at 1 January 2021	9,989	5,272	12,585	27,846
Additions	4,709	1,243	4,721	10,673
Acquired through business combination	2,636	-	-	2,636
Disposals and write offs	(15)	-	(13)	(28)
Transfers within investment properties	19	109	(128)	-
Other transfers and adjustments	(16)	84	(770)	(702)
At 31 December 2021	17,322	6,708	16,395	40,425
Accumulated depreciation and impairment losses				
As at 1 January 2021	39	1,254	1,965	3,258
Depreciation charge	-	151	-	151
Impairment charge (reversal of impairment)	38	103	(171)	(30)
Other transfers and adjustments	(1)	-	(58)	(59)
At 31 December 2021	76	1,508	1,736	3,320
Net carrying value				
Balance at 31 December 2021	17,246	5,200	14,659	37,105

10.1 Allocation of depreciation charge for the year:

	<i>2022</i>	<i>2021</i>
Cost of revenue	339	149
Administrative expenses	3	2
Total	342	151

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***10. INVESTMENT PROPERTIES (continued)****10.2 Allocation of impairment charge (reversal) for the year:**

	2022	2021
Cost of revenue	(412)	103
Administrative expenses	(28)	(133)
Total	(440)	(30)

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

	2022	2021
Rental income derived from investment properties	250	453
Direct operating expenses included in cost of revenue	243	293

10.4 Other disclosures related to investment properties

- (a) Land includes one hundred ten land parcels which were contributed during the year ended 31 December 2022 to the Fund at a nominal value of SAR 1 each (2021: one hundred and forty-one land parcels). All of these land parcels are in Saudi Arabia.
- (b) During the year ended 31 December 2021, it came to management's attention that that a land included in one of the Group's projects is located within an area that is currently under study by the relevant government agencies with the aim of developing it, which may result into a fundamental change to the original project's plan and may impact the land's realizable value. The effect of the extent of this study remains uncertain and dependent on future developments by the relevant government agencies' plan. The management believes that that there will be no losses to be incurred related to this matter. The carrying value of the related land and capital work-in-progress as at 31 December 2022 amounted to SAR 2,168 million and SAR 760 million respectively (as at 31 December 2021: SAR 2,168 million and SAR 849 million respectively; as at 1 January 2021: SAR 2,168 million and SAR 829 million respectively).
- (c) Other transfers and adjustments include land transferred during the year ended 31 December 2022 from one of the Group's subsidiaries directly to the Owner, on directions of a Royal Decree, amounted to SAR 1,654 million.
- (d) Investment properties with a net carrying value as at 31 December 2022 amounted to SAR 4,286 million (as at 31 December 2021: SAR 2,000 million, as at 1 January 2021: SAR 2,000 million) are pledged as security to lenders under the Common Term Agreements (refer to [note 27](#)).
- (e) Non-cash additions during the year amounted to SAR 2,051 million (2021: SAR 4,740 million).

10.5 Investment properties fair values

The fair value hierarchy disclosures as at 31 December 2022 are given below:

Category of assets	Carrying value	Fair value hierarchy disclosure		
		Level 2	Level 3	Total fair value
Land	18,633	13,608	136,359	149,967
Buildings	18,765	45	22,613	22,658
Capital work-in-progress	9,282	665	11,082	11,747
Total	46,680	14,318	170,054	184,372

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

10. INVESTMENT PROPERTIES (continued)

10.5 Investment properties fair values (continued)

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

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

The fair value hierarchy disclosures as at 1 January 2021 are given below:

Category of assets	Carrying value	Fair value hierarchy disclosure		
		Level 2	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 years ended 31 December 2022 and 31 December 2021 by independent valuers accredited by Saudi Authority for Accredited Valuers such as 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, Abaad, Sima & Partner, Chandils, Estnad Al Muqayyimun, Jones Lang LaSalle and ValuStart. Valuation techniques as permitted by IFRS 13 "Fair Value Measurement" in accordance with recommendations of the International Valuation Standards Committee has been applied.

The fair value is based on significant judgment by management involving use of various valuation techniques and methods, which are based on assumptions and estimates specific to each parcel of land that impact the fair value allotted to each land parcel. (refer to [note 47](#)).

10.6 Lands that cannot be fair valued

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

Name	Area (km ²)	Location
Red Sea	33,798.61	Tabuk Region
Neom	26,387.00	Tabuk Region
Amaala	4,155.00	Tabuk Region
Qiddiyah	366.90	Central Region
Jeddah Lake Land	0.04	Makkah Region
Abha	0.02	Asir Region

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. Abha lands are cemeteries, hence could not be valued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

**Significant accounting policies that apply to investment in associates, joint ventures and joint operations*****Investment in associates and joint ventures***

An associate is an entity over which the Group has significant influence, through its investment in debt and/ or equity instruments. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 is accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost i.e. purchase price and directly attributable costs. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date, until the date when significant influence or joint control ceases, adjusted for any dividend earned and accumulated impairment loss, if any. Goodwill, determined as the difference between the fair value of the net assets acquired and the consideration paid, 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.

If the recoverable amount is higher than the carrying value and if there is an impairment provision for such investment in associate or joint venture, the impairment provision will be reversed only to the extent that the investment's carrying value does not exceed the carrying amount that would be determined, if no impairment provision had been recognized. The recoverable amount of an associate or joint venture is the higher of its fair value less costs of disposal and its value in use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

**Significant accounting policies that apply to investment in associates, joint ventures and joint operations (continued)*****Investment in associates and joint ventures (continued)***

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

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

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

The group ceases to use the equity method to account for an investment in associate or joint venture because of a loss of significant influence or joint control or when the investment is classified as held for sale. Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained interest in the investee is remeasured to its fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the equity accounted investee attributable to the retained interest and its fair value is recognized in the consolidated statement of profit or loss. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to equity accounted investee on the same basis as would be required if that associate and joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the equity accounted investees would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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.

Joint operations

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.1 Associates and joint ventures

	2022		2021	
	<i>Associates</i>	<i>Joint Ventures</i>	<i>Associates</i>	<i>Joint Ventures</i>
As at 1 January	109,192	12,134	109,459	9,122
Investments made during the year (refer to notes 11.4 and 11.6) ^(a)	15,156	4,475	9,089	1,112
Investments acquired through business combination	14	-	7	-
Share of results of associates and joint ventures - net	9,350	(437)	8,440	195
Dividends received/receivable (refer to notes 11.5 and 11.7)	(3,980)	(733)	(3,817)	(547)
Disposals during the year ^{(b), (c)}	(649)	(44)	(10,709)	(77)
Discontinuation of equity method due to acquisition of control ^{(d), (e)}	(1,263)	-	(2,753)	-
Additions due to loss of control ^(f)	3,173	-	-	-
Share of other comprehensive income (loss)	2,826	(154)	581	31
Movement of net investments ^{(g), (h)}	(213)	2,369	1,453	-
Other Movement ⁽ⁱ⁾	(29)	748	(2,162)	2,301
Translation differences	(558)	(177)	(396)	(3)
At 31 December (before impairment allowance)	133,019	18,181	109,192	12,134
Allowance for impairment of investment in associates and joint ventures	(1,531)	(2,354)	(1,834)	(1,022)
Balance as at 31 December	131,488	15,827	107,358	11,112

11.2 Disclosure related to investments in associates and joint ventures:

- (a) Investments made during the year ended 31 December 2022 include additional investments to existing associates amounting to SAR 1,176 million (2021: SAR 2,363 million) and additional investments to existing joint ventures amounting to SAR 2,437 million (2021: SAR 1,046 million).
- (b) During the year ended 31 December 2022, Power and Water Utility Company for Jubail and Yanbu ("Marafiq") (an associate) completed its Initial Public Offering ("IPO") and listed its 73,094,500 ordinary shares (representing 29.24% of the Marafiq's share capital) on Saudi Stock exchange. The Group and other major shareholders of Marafiq sold part of their shares on Saudi Stock Exchange for public subscription. Accordingly, the Group's share of ownership in Marafiq decreased from 24.81% as at 31 December 2021 to 17.50% as at 31 December 2022.
- (c) During the year ended 31 December 2021, the Saudi National Bank (SNB) (formerly known as The National Commercial Bank) entered into a merger agreement with Samba Financial Group ("Samba") (a previous associate), pursuant to which Samba ceased to exist and all of its assets and liabilities were transferred to the Group (refer to [note 45](#)).
- (d) Up and until September 2022, the Fund had significant influence on Fund of Funds Company ("Jada") (a previous associate) as the Fund has 100% shareholding and had a right to call and a right to vote at extra ordinary general meeting of Jada. Previously Jada was managed by a Board of Directors who were mainly appointed by the Council of Economic and Development Affairs ("CEDA"). However, during the year ended 31 December 2022, Jada's by-laws has been amended by granting the Fund, as the shareholder, the right to appoint all members of Jada's Board of Directors. Hence, the Fund became endowed with sufficient voting rights to control Jada's relevant activities. Accordingly, Jada company has been classified as a subsidiary as of October 2022 in these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.2 Disclosure related to investments in associates and joint ventures (continued):**

- (e) Up and until 25 November 2021, the Fund had significant influence on Elm Company (formerly known as Al Elm Information Security Company) ("Elm") (a previous associate) as the Fund had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Fund. The Government body's representation at the Board of Directors was more than that of the Fund. However, starting from 25 November 2021, through the amendment of by-laws, PIF as the shareholder obtained the right to appoint all members of the Board of Directors and accordingly had sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November 2021 in these consolidated financial statements.
- (f) During the year ended 31 December 2022, the shareholders of Arabian Drilling Company ("ADC") (a previous indirect subsidiary of the Group) approved to proceed with the Initial Public Offering ("IPO") of ADC's ordinary shares. ADC listing resulted in loss of control by the Group over ADC, hence the Group presented the results of ADC for the ten months period ended 31 October 2022 separately, as discontinued operations in the consolidated statement of profit or loss and other comprehensive income (refer to [note 21](#)). Pursuant to listing of ADC, the Group no longer has control over ADC, however the Group retained significant influence over ADC. Consequently, the Group's remaining investment in ADC has been accounted for as investment in associate.
- (g) During the year ended 31 December 2022, Adeptio AD Holdings Ltd ("Adeptio") (a joint venture) sold a 30% shareholding of its investment in Americana Restaurants through an Initial Public Offering ("IPO"). The resulting gain on disposal has been recorded directly in equity in the consolidated statement of financial position as a transaction between owners without a resulting change in control. The Group's share of the gain amounting to SAR 2,400 million has been recognized in movement of net assets of the joint venture.
- (h) For the year ended 31 December 2021, this mainly represents Group's share of the overall increase in ACWA Power Company ("ACWA") (formerly known as International Company for Water & Power Projects) (an associate) equity arising from the increase in ACWA's authorized capital by 85,336,851 shares and offered these shares to the public on 11 October 2021. As a result, the Fund's equity interest was diluted from 50% to 44.16%. However, due to the overall increase in ACWA's equity, the Fund recognized a deemed gain during the year ended 31 December 2021 amounting to SAR 1,446 million in the consolidated statement of profit or loss.
- (i) During the year ended 31 December 2021, the Group increased its stake in AMPTJ (a joint venture) through injection of additional capital to AMPTJ and conversion of loans into equity. Based on the new Joint Venture Agreement, AMPTJ was reclassified from associate to joint venture.
- (j) Non-cash investments during the year of 2022 amounted to SAR 165 million (2021: SAR 4,975 million) and non-cash dividends amounted to SAR 38 million (2021: SAR nil).

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

	<i>Associates</i>		<i>Joint Ventures</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
As at 1 January	1,834	2,058	1,022	-
Charge (reversal) during the year	(321)	265	1,259	248
Other adjustments *	18	(489)	73	774
At 31 December	1,531	1,834	2,354	1,022

* Other adjustments during the year ended 31 December 2021 include transferred amounts from allowance of provision on investment in associates and allowance of provision on loans and advances to allowance of provision on investment in joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.4 Investment in joint ventures**

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

<i>Joint Venture</i>	<i>Country of incorporation</i>	<i>Percentage of ownership</i>			<i>Industry group / Principle activities</i>
		<i>31 Dec 2022</i>	<i>31 Dec 2021</i>	<i>1 Jan 2021</i>	
Binariang GSM Holding ("BGSM")	Malaysia	25.00%	25.00%	25.00%	Telecommunications services
G3 Global Holdings LP ("G3GH LP")	Canada	75.00%	75.00%	75.00%	Grain trading
Adeptio AD Holdings Ltd ("Adeptio")	UAE	50.00%	50.00%	50.00%	E-Commerce
Ma'aden Barrick Copper Company ("MBCC")	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Mining
Saudi Global Ports ("SGP")	Kingdom of Saudi Arabia	51.00%	51.00%	51.00%	Industrials
Wessal Bouregreg S.A.	Kingdom of Morocco	20.00%	20.00%	20.00%	Consumer Discretionary
Wessal Casa Port	Kingdom of Morocco	20.00%	20.00%	20.00%	Consumer Discretionary
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Mining
Gulf Chemical Carriers Holdings Limited	Cayman Islands	-	-	41.28%	Marine
Wessal Tangier Marina	Kingdom of Morocco	20.00%	20.00%	20.00%	Consumer Discretionary
Contact Centers Company ("CCC")	Kingdom of Saudi Arabia	49.00%	49.00%	49.00%	Submission of proposals and technical solutions
National Grain Company ("NGC")	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Grain terminal
Arab Submarine Cables Company Limited	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Extension of telecom wiring
A Consortium to construct eight desalination plants	Kingdom of Saudi Arabia	33.33%	33.33%	33.33%	Desalination plant
Wessal Capital Asset Management	Kingdom of Morocco	20.00%	20.00%	20.00%	Financials
Contribution in obtaining licenses to establish a smart poles plant (Icore Poles) of Photizio	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Manufacturing and distribution of lighting
MOBCO PECSA JV	Kingdom of Saudi Arabia	49.00%	49.00%	49.00%	Construction
Development of polyurea product with a joint project	Kingdom of Saudi Arabia	50.00%	50.00%	50.00%	Manufacture and marketing polyurea product
G3 Global Holdings GP Inc. ("G3GH GP")	Canada	75.00%	75.00%	75.00%	Grain trading
Saudi Defense Electronics Company ("SADEC")	Kingdom of Saudi Arabia	-	50.00%	50.00%	Defense
Noon Investments Company ("Noon") ^(a)	UAE	50.00%	50.00%	50.00%	E-commerce
ArcelorMittal Tubular Products Al-Jubail Company ("AMTPJ") ^(b)	Kingdom of Saudi Arabia	65.20%	69.23%	-	Materials

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.4 Investment in joint ventures (continued)

<i>Joint Venture</i>	<i>Country of incorporation</i>	<i>Percentage of ownership</i>			<i>Industry group / Principle activities</i>
		<i>31 Dec 2022</i>	<i>31 Dec 2021</i>	<i>1 Jan 2021</i>	
Electric Sea Racing Limited ("ESR")	United Kingdom	50.00%	20.00%	-	Media and Entertainment
First Tech Web Company Ltd.	Kingdom of Saudi Arabia	50.00%	50.00%	-	Broadband Satellite Services
NEOM Green Hydrogen Company	Kingdom of Saudi Arabia	33.40%	33.40%	-	Electric power generation and transmission
MBC Game Studio Company	Kingdom of Saudi Arabia	30.00%	30.00%	-	Videogames and videogames studio development
Minerva Foods Australia Pty Ltd ("MFA")	Australia	35.00%	35.00%	-	Meat processing
Neptune Co.	Cayman Island	50.00%	50.00%	-	Vessel building
Al Bawani Holding Company ("ABH")	Kingdom of Saudi Arabia	33.41%	-	-	Industrials
El Seif Engineering Contracting Company Limited ("El Seif")	Kingdom of Saudi Arabia	40.00%	-	-	Industrials
SAMI Dussur Aeronautics LLC Company ("SDAC")	Kingdom of Saudi Arabia	51.00%	-	-	Management of companies
Saudi Rotorcraft Support Company Limited ("SRSC")	Kingdom of Saudi Arabia	51.00%	-	-	Import and sell the rotorcraft spare parts
Seera Emaar Real Estate Development and Investment Company ("SERED")	Kingdom of Saudi Arabia	49.00%	-	-	Real estate
West Shura III	Kingdom of Saudi Arabia	50.00%	-	-	Real estate

- (a) For the year ended 31 Dec 2022, the Group's share of loss exceeds its investment in Noon. During the year, the total share of loss amounting to SAR 1,621 million (2021: SAR 1,152 million) has been adjusted against investment to the extent of SAR 676 million (2021: SAR 881 million) and the remaining loss amounting to SAR 945 million (2021: SAR 271 million), has been adjusted against due from Noon.
- (b) During the year ended 31 December 2021, the Fund increased its share in AMTPJ through injection of additional capital to AMTPJ amounting to SAR 563 million and conversion of loans into equity with carrying value of SAR 495 million. Based on the new Joint Venture agreement, AMPTJ is reclassified from associate to joint venture.
- (c) The Group's investments in joint ventures are not listed; hence, their fair value as at the reporting date are not available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.5 Summarized financial information for joint ventures****As at 31 December 2022:**

<i>Financial information</i>	<i>Adeptio^(a)</i>	<i>BGSM^(a)</i>	<i>G3GH LP</i>	<i>El Seif^(c)</i>	<i>AMTPJ</i>	<i>MBCC^(b)</i>	<i>Individually immaterial joint ventures</i>
Current assets	5,061	3,416	4,543	6,225	2,484	719	
Non-current assets	12,105	26,841	3,123	274	4,271	1,538	
Current liabilities	4,598	3,987	2,992	4,727	1,599	212	
Non-current liabilities	2,741	15,502	1,799	543	2,779	99	
Cash and cash equivalents included in current assets	1,918	1,627	1,059	996	380	280	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	1,661	1,154	1,405	2,507	514	13	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	2,177	12,607	1,799	119	2,494	35	
Equity attributable shareholders of the joint ventures	7,711	320	2,322	1,220	2,377	1,946	
Carrying amount of investment	4,120	3,279	1,741	1,240	1,212	948	3,287
Total carrying value of investments in joint ventures							15,827

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**11.5 Summarized financial information for joint ventures (continued)**

For the year ended 31 December 2022:

<i>Financial information</i>	<i>Adeptio</i>	<i>BGSM</i>	<i>G3GH LP</i>	<i>El Seif^(c)</i>	<i>AMTPJ</i>	<i>MBCC</i>	<i>Individually immaterial joint ventures</i>
Revenue	14,178	8,264	13,889	-	3,448	1,985	
Profit or loss from continuing operations	1,117	493	26	-	112	936	
Other comprehensive income (loss)	840	5	3	-	(4)	3	
Total comprehensive income (loss)	1,957	498	29	-	108	939	
Depreciation and amortization	-	1,548	228	-	257	161	
Finance income	26	38	18	-	-	-	
Finance cost	227	764	189	-	159	1	
Income tax / Zakat expense or (income)	160	478	24	-	26	122	
Dividends received/receivable	184	-	-	-	-	467	82
Group's share of profit (loss) from continuing operations	528	37	33	-	-	453	(1,488)
Group's share of other comprehensive income (loss)	(67)	(70)	2	-	-	2	(21)
Group's share of total comprehensive income (loss)	461	(33)	35	-	-	455	(1,509)
Total dividends received							733
Total Group's share of loss from continuing operations							(437)
Total Group's share of other comprehensive loss							(154)
Total Group's share of total comprehensive loss							(591)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.5 Summarized financial information for joint ventures (continued)**

As at 31 December 2021:

<i>Financial information</i>	<i>BGSM^(a)</i>	<i>G3GH LP</i>	<i>Adeptio^(a)</i>	<i>AMTPJ</i>	<i>MBCC^(b)</i>	<i>Individually immaterial joint Ventures</i>
Current assets	2,787	3,530	4,287	2,011	857	
Non-current assets	27,417	4,841	11,905	4,497	1,592	
Current liabilities	5,304	2,088	4,493	1,636	392	
Non-current liabilities	13,549	3,221	4,145	2,766	116	
Cash and cash equivalents included in current assets	1,312	1,511	1,719	313	319	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	1,920	399	1,359	890	13	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	12,187	3,221	3,733	2,660	37	
Equity attributable shareholders of the joint ventures	481	3,062	7,300	2,106	1,941	
Carrying amount of investment	4,570	1,831	1,474	1,212	960	1,065
Total carrying value of investments in joint ventures						11,112

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.5 Summarized financial information for joint ventures (continued)**

For the year ended 31 December 2021:

<i>Financial information</i>	<i>BGSM</i>	<i>G3GH LP</i>	<i>Adeptio</i>	<i>AMTPJ</i>	<i>MBCC</i>	<i>Individually immaterial joint ventures</i>
Revenue	8,154	12,518	12,542	1,248	2,221	
Profit or loss from continuing operations	641	240	951	(317)	1,149	
Other comprehensive income (loss)	11	7	173	2	(2)	
Total comprehensive income (loss)	652	247	1,124	(315)	1,147	
Depreciation and amortization	1,648	252	1,025	156	185	
Finance income	55	4	2	-	-	
Finance cost	874	135	220	123	2	
Income tax / Zakat expense or (income)	383	19	146	29	161	
Dividends received	-	-	-	-	546	1
Group's share of profit (loss) from continuing operations	59	143	446	(153)	570	(870)
Group's share of other comprehensive income (loss)	(47)	4	83	1	(1)	(9)
Group's share of total comprehensive income (loss)	12	147	529	(152)	569	(879)
Total dividends received						547
Total Group's share of profit from continuing operations						195
Total Group's share of other comprehensive income						31
Total Group's share of total comprehensive income						226

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.5 Summarized financial information for joint ventures (continued)**

As at 1 January 2021:

<i>Financial information</i>	<i>BGSM^(a)</i>	<i>G3GH LP</i>	<i>Adeptio^(a)</i>	<i>AMTPJ</i>	<i>MBCC^(b)</i>	<i>Individually immaterial joint ventures</i>
Current assets	3,085	2,623	4,834	-	514	
Non-current assets	27,709	4,853	12,046	-	1,692	
Current liabilities	5,055	1,717	3,926	-	195	
Non-current liabilities	13,691	2,993	4,793	-	126	
Cash and cash equivalents included in current assets	939	764	2,452	-	268	
Current financial liabilities (excluding trade and other payables and provisions) included in current liabilities	1,160	833	1,119	-	174	
Non-current financial liabilities (excluding trade and other payables and provisions) included in non-current liabilities	12,920	2,993	4,793	-	78	
Equity attributable shareholders of the joint ventures	376	2,230	7,932	-	1,885	
Carrying amount of investment	4,813	1,673	945	-	936	755
Total carrying value of investments in joint ventures						9,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.5 Summarized financial information for joint ventures (continued)

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

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>		<i>As at 1 January 2021</i>	
	BGSM ^(d)	Adeptio	BGSM ^(d)	Adeptio	BGSM	Adeptio
Net assets of the joint venture	320	7,711	481	7,300	376	7,932
The Group's share of ownership interest						
in the joint venture	80	3,856	120	3,650	94	3,966
Due from related party	-	-	-	(2,440)	-	(3,285)
Goodwill and fair value adjustments, net	1,184	264	1,184	264	1,184	264
Allowance for impairment	(1,435)	-	(177)	-	-	-
Adjustments: the carve-out of Aircel						
Group and others	3,450	-	3,443	-	3,535	-
Carrying amount of the Group's interest in the joint venture	3,279	4,120	4,570	1,474	4,813	945

- (b) The Group's share in net income and proportionate ownership share in net assets includes zakat and severance fees impact which is applicable to the Saudi shareholder only. Furthermore, share in net income is calculated based on the available draft of the MBCC financial statements at the time of issuance of the Group's consolidated financial statements. This sometimes may lead to minor variation which is adjusted in the next accounting period.
- (c) During November 2022, the Group has invested by way of subscribing to fresh issue of share capital in El Seif Engineering Contracting Company Limited ("El Seif") with a consideration of SAR 1,240 million. This transaction included a goodwill amounting to SAR 592 million which forms part of the investment carrying value. No share of results has been recognized during the year.
- (d) During the year ended 31 December 2022, the Group recognized an impairment loss amounting to SAR 1,259 million (2021: SAR 177 million) related to its investment in BGSM as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM using the value in use method considering five years long range plan and applied a weighted average cost of capital of 6.1% - 7.2% and a terminal growth rate of 2.3% - 2.6% in its business model (2021: based on the fair value less cost of disposal method. The fair value measurement is considered at level 2 in the fair value hierarchy due to significant observable valuation inputs).
- (e) The Group has commitments to provide funding for one of the joint venture's capital commitments, which is amounting to SAR 5,321 million as at 31 December 2022 (as at 31 December 2021 and as at 1 January 2021: SAR 5,321 million), if called. During the year ended 31 December 2022, SAR 1,007 million (2021: SAR 982 million) has been drawn.
- (f) The Group's share of contingent liabilities incurred jointly with other investors of the joint ventures as at 31 December 2022 is amounting to SAR 2,106 million (as at 31 December 2021: SAR 555 million, as at 1 January 2021: SAR 147 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.6 Investments in associates

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

Associate	Industry Group	Percentage of ownership (as at)			Fair value of ownership (if listed) (as at)			Principal place of business
		31 Dec 2022	31 Dec 2021	1 Jan 2021	31 Dec 2022	31 Dec 2021	1 Jan 2021	
Saudi Electricity Company ("SEC")	Utilities	75.10%	75.10%	75.10%	72,285	75,039	66,653	Kingdom of Saudi Arabia
Samba Financial Group (refer to note 45)	Financials	-	-	22.91%	-	-	14,000	Kingdom of Saudi Arabia
Riyad Bank	Financials	21.75%	21.75%	21.75%	20,753	17,686	13,183	Kingdom of Saudi Arabia
ACWA Power Company ("ACWA") ^(a)	Utilities	44.16%	44.16%	50.00%	49,078	27,122	-	Kingdom of Saudi Arabia
POSCO Engineering and Construction Co. Ltd ("POSCO")	Manufacturing industry	38.00%	38.00%	38.00%	-	-	-	South Korea
Alinma Bank ^(b)	Financials	10.00%	10.00%	10.00%	6,510	4,792	3,236	Kingdom of Saudi Arabia
National Shipping Company of Saudi Arabia ("Bahri")	Energy	22.55%	22.55%	22.55%	3,274	2,881	3,601	Kingdom of Saudi Arabia
Elm Company (formerly known as Al Elm Information Security Company) ("Elm") (refer to note 45)	Information Technology	-	-	100.00%	-	-	-	Kingdom of Saudi Arabia
Arab Satellite Communications Organization ("Arabsat")	Satellite Operator	36.66%	36.66%	36.66%	-	-	-	Kingdom of Saudi Arabia
Power and Water Utility Company for Jubail and Yanbu ("Marafiq") ^(c)	Utilities	17.50%	24.81%	24.81%	2,052	-	-	Kingdom of Saudi Arabia
Southern Province Cement Company	Materials	37.43%	37.43%	37.43%	2,673	3,674	4,418	Kingdom of Saudi Arabia
Minerva S.A. ("Minerva")	Agricultural sector	30.60%	30.60%	33.83%	1,706	1,324	1,358	Brazil
Shuaibah Water and Electricity Company ("SWEC")	Utilities	32.00%	32.00%	32.00%	-	-	-	Kingdom of Saudi Arabia
Saudi Arabian Industrial Investment Company ("Dussur")	Industrial	50.00%	50.00%	50.00%	-	-	-	Kingdom of Saudi Arabia
Saudi Information Technology Company ("SITE")	Information Technology	100.00%	100.00%	100.00%	-	-	-	Kingdom of Saudi Arabia
Qassim Cement Company	Materials	23.35%	23.35%	23.35%	1,284	1,591	1,703	Kingdom of Saudi Arabia
Air Liquide Arabia ("ALAR")	Services	35.00%	35.00%	35.00%	-	-	-	Kingdom of Saudi Arabia
Commercial Real Estate Markets Company	Real Estate	60.00%	60.00%	60.00%	-	-	-	Kingdom of Saudi Arabia
Shuqaiq Water and Electricity Company ("SWQEC")	Utilities	32.00%	32.00%	32.00%	-	-	-	Kingdom of Saudi Arabia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.6 Investments in associates (continued)

Associate	Industry Group	Percentage of ownership (as at)			Fair value of ownership (if listed) (as at)			Principal place of business
		31 Dec 2022	31 Dec 2021	1 Jan 2021	31 Dec 2022	31 Dec 2021	1 Jan 2021	
Fund of Funds Company ("Jada") (refer to note 11.2)	Financials	-	100.00%	100.00%	-	-	-	Kingdom of Saudi Arabia
National Agricultural Development Company ("NADEC") ^(d)	Consumer Staples	35.08%	20.00%	20.00%	728	728	878	Kingdom of Saudi Arabia
Riyadh Holding Company	Real Estate	16.67%	16.67%	16.67%	-	-	-	Kingdom of Saudi Arabia
Bidaya Home Financing Company	Financials	22.22%	22.22%	22.22%	-	-	-	Kingdom of Saudi Arabia
Saudi Fisheries Company ("Saudi Fisheries")	Consumer Staples	39.99%	39.99%	39.99%	430	617	606	Kingdom of Saudi Arabia
Taqa Al-Rushaid for Marine Works Company Limited ("TAM")	Services	50.00%	50.00%	50.00%	-	-	-	Kingdom of Saudi Arabia
GCC Electrical Equipment Testing Laboratory	Industrials	20.00%	20.00%	20.00%	-	-	-	Kingdom of Saudi Arabia
Middle East Propulsion Company Ltd ("MEPC")	Aircraft MRO	33.70%	33.70%	33.70%	-	-	-	Kingdom of Saudi Arabia
Oliden Technology	Services	35.00%	35.00%	35.00%	-	-	-	USA
Daawat Foods Company Limited ("DFL")	Agricultural sector	29.51%	29.51%	29.51%	-	-	-	India
Al-Ahli Takaful Company ("ATC") ^(e)	Insurance	-	29.90%	29.90%	-	546	582	Kingdom of Saudi Arabia
Shuaibah Expansion Holding Company ("SEHCO")	Utilities	32.00%	32.00%	32.00%	-	-	-	Kingdom of Saudi Arabia
OPT Petroleum Technologies Company Limited ("OPT")	Services	25.00%	25.00%	25.00%	-	-	-	China
Jasara Program Management Company ("Jasara")	Industrial	40.00%	40.00%	40.00%	-	-	-	Kingdom of Saudi Arabia
ArcelorMittal Tubular Products Al-Jubail Company ("AMTPJ") (refer to note 11.4)	Materials	-	-	42.24%	-	-	-	Kingdom of Saudi Arabia
Hummingbird Technologies Limited ("HTL")	Agricultural	15.89%	15.89%	15.89%	-	-	-	United Kingdom
ASMA Capital	Financials	20.00%	20.00%	20.00%	-	-	-	Bahrain
Virgin Mobile Saudi Consortium ("VMSC")	Telecom	10.00%	10.00%	10.00%	-	-	-	Kingdom of Saudi Arabia
Arabian Industrial Fibers Company ("Ibn Rushd")	Materials	33.51%	33.51%	33.51%	-	-	-	Kingdom of Saudi Arabia
Saudi Heritage Hospitality Company ("NUZUL")	Consumer Services	15.00%	15.00%	15.00%	-	-	-	Kingdom of Saudi Arabia
Emaar Economic City Company ("EEC") ^(f)	Real Estate	25.00%	25.00%	-	2,363	3,383	-	Kingdom of Saudi Arabia

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.6 Investments in associates (continued)

Associate	Industry Group	Percentage of ownership (as at)			Fair value of ownership (if listed) (as at)			Principal place of business
		31 Dec 2022	31 Dec 2021	1 Jan 2021	31 Dec 2022	31 Dec 2021	1 Jan 2021	
Innovative Energy Holding Ltd ("ADES Group")	Energy	35.50%	35.50%	-	-	-	-	Kingdom of Saudi Arabia
Red Sea Gateway Terminal Company ("RSGT")	Industrial	20.00%	20.00%	-	-	-	-	Kingdom of Saudi Arabia
Oger Telecom Limited ("OTL") ^(a)	Telecom	35.00%	35.00%	35.00%	-	-	-	United Arab Emirates
Sudair One Holding Company ("SOHCO")	Holding company	35.35%	35.35%	-	-	-	-	Kingdom of Saudi Arabia
Connect Arabia W.L.L. ("Virgin Mobile Kuwait" or "VMK")	Telecom	10.00%	10.00%	-	-	-	-	State of Kuwait
SenseTime MEA Limited	Information Technology	49.00%	49.00%	-	-	-	-	Kingdom of Saudi Arabia
OpenSooq	Information Technology	16.30%	16.30%	-	-	-	-	Virgin Islands
Horacio Pagani SpA ^(b)	Automobile	29.00%	29.00%	-	-	-	-	Italy
Saudi Public Transport Company ("SAPTCO")	Industrials	15.72%	-	-	313	-	-	Kingdom of Saudi Arabia
Aston Martin Lagonda Global Holding plc ("Aston Martin")	Consumer Discretionary	18.70%	-	-	915	-	-	United Kingdom
Habitas Group Ltd	Real Estate	10.00%	-	-	-	-	-	United Kingdom
D360 Bank PSC	Financials	20.00%	-	-	-	-	-	Kingdom of Saudi Arabia
Capital Bank of Jordan	Financials	23.97%	-	-	815	-	-	Jordan
National Financing Services Company ("NFSC")	Financials	19.00%	-	-	-	-	-	Kingdom of Saudi Arabia
Advanced Arabian Simulation Company ("AASC")	Information Technology	40.00%	-	-	-	-	-	Kingdom of Saudi Arabia
Al-Dal Real Estate Services Company	Financials	30.00%	30.00%	-	-	-	-	Kingdom of Saudi Arabia
Smart National Solutions Company Technology	Information Technology	24.00%	24.00%	-	-	-	-	Kingdom of Saudi Arabia
Sahel Al Madar Trading Company	Logistics	30.00%	30.00%	-	-	-	-	Kingdom of Saudi Arabia
Nesma & Partners Contracting Company Limited ⁽ⁱ⁾	Industrials	30.13%	-	-	-	-	-	Kingdom of Saudi Arabia
E-Finance for Digital and Financial Investments ⁽ⁱ⁾	Information Technology	25.00%	-	-	1,327	-	-	Egypt
Misr Fertilizers Production Company ("MOPCO") ⁽ⁱ⁾	Materials	25.00%	-	-	1,232	-	-	Egypt
Abou Kir Fertilizers ⁽ⁱ⁾	Materials	19.82%	-	-	1,466	-	-	Egypt

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.6 Investments in associates (continued)

Associate	Industry Group	Percentage of ownership (as at)			Fair value of ownership (if listed) (as at)			Principal place of business
		31 Dec 2022	31 Dec 2021	1 Jan 2021	31 Dec 2022	31 Dec 2021	1 Jan 2021	
Alexandria Container and goods ⁽ⁱ⁾	Shipping and transport	20.00%	-	-	837	-	-	Egypt
Olam Agricultural Investment Company ("Olam") ^(k)	Agriculture	35.40%	-	-	-	-	-	Singapore
Dhafra Water Desalination Company ("DWDC")	Utilities	32.32%	-	-	-	-	-	Kingdom of Saudi Arabia
Arabian Drilling Company ("ADC")	Oil and gas	35.70%	-	-	3,578	-	-	Kingdom of Saudi Arabia
DRE International Holdings Limited	Consumer Discretionary	32.95%	-	-	-	-	-	United Kingdom
Cleopatra Hospital Company ⁽ⁱ⁾	Health care	29.00%	-	-	373	-	-	Egypt
Giza Systems Company for Electromechanical Contracting ("GSEC")	Information Technology	50.01%	-	-	-	-	-	Egypt
Edu Apps	Information Technology	40.00%	-	-	-	-	-	Egypt

- (a) On 11 October 2021, ACWA increased its authorized capital by 85,336,851 shares and offered these shares to the public. As a result, the Fund's equity interest was diluted from 50% as at 1 January 2021 to 44.16% as at 31 December 2021.
- (b) The ownership percentages for Alinma Bank is computed using the Fund 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.
- (c) During the year, shareholders of Marafiq in their meeting held on 21 April 2022 authorized to offer Marafiq's shares for public subscription whereby major shareholders equally sold a part of their shares on Saudi Stock Exchange. On 24 November 2022, Marafiq completed its Initial Public Offering ("IPO") and listed around 30% of their shares on Saudi Stock Exchange. As a result, the Fund's equity interest was diluted from 24.81% to 17.50% and the Fund recognized a gain from disposal amounting to SAR 255 million in the consolidated statement of profit or loss.
- (d) During the year ended 31 December 2022, the Group made an additional investment in NADEC amounting to SAR 526 million which increased the shareholding from 20% to 35.08%.
- (e) During the year ended 31 December 2022, ATC merged with Arabian Shield Cooperative Insurance Company (ASC) and therefore has ceased to exist as a legal entity. As a result of the merger, the Group holds investment in ASC of 11.2% of its equity which has been classified as part of financial asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.6 Investments in associates (continued)

- (f) During the year ended 31 December 2021, the Group acquired 25.00% equity stake in Emaar the Economic City ("EEC"). The transaction involved novation to PIF of SAR 2,833 million of EEC's debt. Post the completion of the novation, the Group has become an equity investor in EEC following the issuing of new shares against debt conversion.
- (g) As at 31 December 2022, OTL is still in the final stages of liquidation with most of its assets and liabilities disposed of.
- (h) During the year ended 31 December 2021, the Group, through one of its subsidiaries, acquired 29% equity shareholding in Horacio Pagani SpA ("Pagani") for a consideration of SAR 2,000 million. This transaction included a goodwill and fair value adjustment of Pagani's amounting to SAR1,685 million which forms part of the investment carrying value.
- (i) During the year ended 31 December 2022, the Group has invested by way of subscribing to new shares as part of the capital increase representing significant minority stake in Nesma & Partners Contracting Company. This transaction included a goodwill amounting to SAR 1,079 million which forms part of the investment carrying value. No share of results was recognized during the year.
- (j) During the year ended 31 December 2022, the Group acquired a significant minority interest in five publicly listed companies, Misr Fertilizers Production Company ("MOPCO"), E-Finance for Digital and Financial Investments, Abou Kir Fertilizers, Alexandria Container and goods and Cleopatra Hospital Company.
- (k) During the year ended 31 December 2022, the Group through one of its subsidiaries, made an investment in Olam amounting to SAR 4,650 million for 35.4% equity stake. This transaction included a goodwill and fair value adjustment amounting to SAR 3,180 million which forms part of the investment carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.7 Summarized financial information for associates

As at 31 December 2022:

<i>Associate</i>	<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Equity attributable to shareholders of associates</i>	<i>Carrying value of investments in associates</i>
Saudi Electricity Company (SEC) ^(a)	35,288	444,194	62,940	159,491	88,270	66,293
Riyad Bank	135,000	224,652	259,877	43,602	49,602	10,790
ACWA Power Company ("ACWA") ^(b)	11,598	37,703	4,692	24,581	18,660	10,669
Olam Agricultural Investment Company ("Olam") ^(b)	23,596	5,423	11,954	13,084	3,981	4,660
POSCO Engineering and Construction Co. Ltd	15,132	8,872	11,067	2,382	9,944	3,618
Arabian Drilling Company ("ADC") ^(b)	2,849	6,705	809	3,155	5,590	3,224
Alinma Bank	56,203	144,233	161,904	6,656	26,876	2,704
Emaar Economic City Company ("EEC") ^(b)	1,493	13,713	8,408	144	6,654	2,476
National Shipping Company of Saudi Arabia (Bahri)	5,569	17,330	2,820	8,963	10,491	2,366
Nesma & Partners Contracting Company Limited	9,371	1,593	5,811	1,474	3,682	1,970
Horacio Pagani SpA	769	479	380	227	641	1,871
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	3,872	20,354	2,413	13,568	8,245	1,443
Misr Fertilizers Production Company ("MOPCO")	1,501	3,756	337	755	4,165	1,236
Arab Satellite Communications Organization ("Arabsat") ^(c)	1,317	4,090	382	1,624	3,401	1,217
Southern Province Cement Company	1,110	2,762	373	293	3,206	1,200
E-Finance for Digital and Financial Investments	597	115	144	32	529	1,183
Saudi Arabian Industrial Investment Company (Dussur)	1,251	1,228	89	14	2,376	1,181
Abou Kir Fertilizers	860	2,197	607	60	2,390	1,120
Minerva S.A. ^(b)	9,212	5,968	5,767	8,659	754	1,038
Individually immaterial associates						11,229
Total						131,488

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**11.7 Summarized financial information for associates** (continued)

For the year ended 31 December 2022:

<i>Associate</i>	<i>Revenue</i>	<i>Profit (loss) attributable to shareholders</i>	<i>Other comprehensive income (loss)</i>	<i>Total comprehensive income (loss)</i>	<i>Dividends received</i>	<i>Group's share of profit / (loss)</i>	<i>Group's share of other comprehensive income (loss)</i>	<i>Group's share of total comprehensive income (loss)</i>
Saudi Electricity Company (SEC)	72,079	15,135	1,154	16,289	2,190	5,613	867	6,480
Riyad Bank	17,521	7,019	(1,532)	5,487	679	1,513	(333)	1,180
ACWA Power Company ("ACWA")	5,276	1,476	4,202	5,678	249	680	1,856	2,536
Olam Agricultural Investment Company ("Olam")	101,004	1,488	(293)	1,195	-	-	-	-
POSCO Engineering and Construction Co. Ltd	27,504	450	128	578	36	171	48	219
Arabian Drilling Company ("ADC")	2,704	558	(3)	555	-	48	3	51
Alinma Bank	10,116	3,599	(649)	2,950	170	347	(60)	287
Emaar Economic City Company ("EEC")	363	(1,157)	35	(1,122)	-	(315)	9	(306)
National Shipping Company of Saudi Arabia (Bahri)	8,583	1,041	34	1,075	-	235	8	243
Horacio Pagani SpA	572	181	-	181	23	37	-	37
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	6,505	846	238	1,084	92	199	57	256
Misr Fertilizers Production Company ("MOPCO")	10,150	3,753	6,492	10,245	-	115	162	277
Arab Satellite Communications Organization ("Arabsat")	845	153	13	166	-	(543)	-	(543)
Southern Province Cement Company	1,222	301	(2)	299	105	105	(1)	104
E-Finance for Digital and Financial Investments	2,644	523	-	523	-	7	-	7
Saudi Arabian Industrial Investment Company (Dussur)	-	(171)	7	(164)	-	(86)	4	(82)
Abou Kir Fertilizers	1,348	728	157	885	111	80	10	90
Minerva S.A.	22,501	476	(345)	131	77	145	(105)	40
Individually immaterial associates					248	999	301	1,300
Total					3,980	9,350	2,826	12,176

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**11.7 Summarized financial information for associates** (continued)

As at 31 December 2021:

<i>Associate</i>	<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Equity attributable to shareholders of associates</i>	<i>Carrying value of investments in associates</i>
Saudi Electricity Company (SEC) ^(a)	33,359	441,523	64,512	158,748	83,703	62,217
Riyad Bank	192,338	133,398	232,393	46,043	47,300	10,289
International Company for Water & Power Projects (ACWA) ^(b)	9,668	36,040	5,086	26,303	13,484	8,385
POSCO Engineering and Construction Co. Ltd	15,341	7,980	10,426	2,245	9,993	3,619
Emaar Economic City Company ("EEC") ^(b)	1,367	14,205	5,148	2,545	7,879	2,782
Alinma Bank	45,771	127,705	134,726	8,039	30,711	2,587
National Shipping Company of Saudi Arabia (Bahri)	3,914	17,758	6,687	5,025	9,413	2,123
Horacio Pagani SpA	-	-	-	-	-	2,000
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	3,397	20,713	2,197	14,362	7,551	1,873
Arab Satellite Communications Organization ("Arabsat") ^(c)	1,627	6,168	565	2,346	4,884	1,240
Southern Province Cement Company	1,178	2,826	426	371	3,207	1,201
Minerva S.A. ^(b)	9,266	4,242	4,872	8,196	440	1,018
Saudi Arabian Industrial Investment Company (Dussur)	1,074	446	263	17	1,240	613
Individually immaterial associates						7,411
Total						107,358

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**11.7 Summarized financial information for associates** (continued)

For the year ended 31 December 2021:

<i>Associate</i>	<i>Revenue</i>	<i>Profit (loss) attributable to shareholders</i>	<i>Other comprehensive income (loss)</i>	<i>Total comprehensive income (loss)</i>	<i>Dividends received</i>	<i>Group's share of profit/ (loss)</i>	<i>Group's share of other comprehensive income (loss)</i>	<i>Group's share of total comprehensive income (loss)</i>
Saudi Electricity Company (SEC)	69,338	14,391	103	14,494	2,190	5,054	77	5,131
Riyad Bank	11,568	6,025	(81)	5,944	653	1,311	(18)	1,293
International Company for Water & Power Projects (ACWA)	5,361	759	1,226	1,985	-	362	712	1,074
POSCO Engineering and Construction Co. Ltd	26,883	943	78	1,021	27	351	26	377
Emaar Economic City Company ("EEC")	372	(827)	49	(778)	-	(54)	3	(51)
Alinma Bank	5,674	2,709	(48)	2,661	130	262	(3)	259
National Shipping Company of Saudi Arabia (Bahri)	5,351	192	18	210	178	43	4	47
Horacio Pagani SpA	-	-	-	-	-	-	-	-
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	6,192	632	97	729	32	154	24	178
Arab Satellite Communications Organization ("Arabsat")	813	(11)	(39)	(50)	8	(4)	(14)	(18)
Southern Province Cement Company	1,339	450	3	453	197	169	1	170
Minerva S.A.	18,736	416	(362)	54	137	137	(120)	17
Saudi Arabian Industrial Investment Company (Dussur)	-	(111)	(7)	(118)	-	(55)	(3)	(58)
Individually immaterial associates					265	710	(108)	602
Total					3,817	8,440	581	9,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

11.7 Summarized financial information for associates (continued)

As at 1 January 2021:

<i>Associate</i>	<i>Current assets</i>	<i>Non-current assets</i>	<i>Current liabilities</i>	<i>Non-current liabilities</i>	<i>Equity attributable to shareholders of associates</i>	<i>Carrying value of investments in associates</i>
Saudi Electricity Company (SEC) ^(a)	45,788	439,662	71,130	166,545	78,927	59,276
Samba Financial Group	98,323	198,622	91,885	157,010	47,958	11,225
Riyad Bank	191,220	118,868	221,427	44,306	44,355	9,649
International Company for Water & Power Projects (ACWA) ^(b)	5,373	30,950	7,194	21,728	6,869	5,866
POSCO Engineering and Construction Co. Ltd	15,461	7,915	10,281	2,517	9,931	3,090
Alinma Bank	51,298	105,579	124,213	8,235	24,429	2,459
National Shipping Company of Saudi Arabia (Bahri)	3,907	17,198	2,372	8,235	9,990	2,253
Elm Company (formerly known as Al Elm Information Security Company) ("Elm")	3,282	731	1,375	404	2,234	2,234
Arab Satellite Communications Organization ("Arabsat")	1,504	6,036	466	2,119	4,955	1,817
Power and Water Utility Company for Jubail and Yanbu (Marafiq)	3,523	20,589	2,620	14,504	6,934	1,720
Southern Province Cement Company	1,174	2,971	420	445	3,280	1,228
Minerva S.A. ^(b)	11,143	5,566	6,315	9,565	829	1,164
Saudi Arabian Industrial Investment Company (Dussur)	274	1,160	58	19	1,357	670
Individually immaterial associates						4,750
Total						107,401

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)****11.7 Summarized financial information for associates (continued)**

- (a) Equity attributable to shareholders of SEC as at 31 December 2022 represents SEC's net assets excluding Mudaraba instrument amounting SAR 168,781 million (as at 31 December 2021: SAR 168,781 million; as at 1 January 2021: SAR 168,848 million), which is classified within equity in SEC's financial statements.
- (b) 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:

As at 31 December 2022:	ACWA	Olam	ADC	EEC	Minerva
Equity attributable to shareholders	18,660	3,981	5,590	6,654	754
The Group's share in net assets of the associates	8,240	1,480	1,996	1,664	230
Goodwill and fair value adjustments	2,431	3,180	1,228	812	793
Translation and other adjustments	(2)	-	-	-	15
Carrying amount	10,669	4,660	3,224	2,476	1,038

As at 31 December 2021:	ACWA	EEC	Minerva
Equity attributable to shareholders	13,484	7,879	440
The Group's share in net assets of the associates	5,954	1,970	135
Goodwill and fair value adjustments	2,431	812	793
Translation and other adjustments	-	-	90
Carrying amount	8,385	2,782	1,018

As at 1 January 2021:	ACWA	Minerva
Equity attributable to shareholders	6,869	829
The Group's share in net assets of the associates	3,435	211
Goodwill and fair value adjustments	2,431	781
Translation and other adjustments	-	172
Carrying amount	5,866	1,164

- (c) The Group's share of contingent liabilities incurred jointly with other investors of the associate as at 31 December 2022 is amounting to SAR 15,323 million (as at 31 December 2021: SAR 18,246 million, as at 1 January 2021: SAR 17,582 million).
- (d) During the year ended 31 December 2022, shares in one of the associates amounting to SAR 1,706 million (2021: SAR 14 million) are pledged against borrowing taken by one of the joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***12. ZAKAT AND INCOME TAX****Significant accounting policies that apply to zakat and income tax*****Zakat***

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

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

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

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

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

Current income tax

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***12. ZAKAT AND INCOME TAX (continued)****Significant accounting policies that apply to zakat and income tax (continued)*****Deferred tax (continued)***

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside the consolidated statement of profit or loss is recognized outside the consolidated statement of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arise. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***12. ZAKAT AND INCOME TAX (continued)****12.1 Zakat and income tax expense**

	<i>For the year ended 31 December</i>	
	<i>2022</i>	<i>2021</i>
Zakat expense	5,314	3,931
Current income taxes	345	130
Deferred tax	(7)	136
Total	5,652	4,197

12.2 Zakat and income tax payable

	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Zakat provision	6,562	4,804	4,244
Current income tax provision	205	192	52
Total	6,767	4,996	4,296

12.3 The movement in Zakat provision

	<i>2022</i>	<i>2021</i>
As at 1 January	4,804	4,244
Charge during the year	5,314	3,931
Reclassified to discontinued operations / assets held for sale	(31)	-
Amount paid during the year	(3,727)	(3,180)
Other settlements	202	(191)
At 31 December	6,562	4,804

12.4 The movement in Income tax provision

	<i>2022</i>	<i>2021</i>
As at 1 January	192	52
Charge during the year	345	130
Amount paid during the year	(244)	(62)
Other adjustments	(88)	72
At 31 December	205	192

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***12. ZAKAT AND INCOME TAX (continued)****12.5 Unrecognized deferred tax assets**

	<i>2022</i>		<i>2021</i>	
	<i>Gross amount</i>	<i>Tax effect</i>	<i>Gross amount</i>	<i>Tax effect</i>
Deductible temporary differences	4,531	1,035	3,052	686
Carried forward tax losses	21,123	3,622	14,575	1,862

12.6 Other disclosures related to zakat and income tax:

- (a) Pursuant to the merger of Saudi National Bank ("SNB" or the "Bank") with Samba Financial Group ("Samba") (refer to [note 45](#)) the Bank has assumed all Samba's obligation owed to ZATCA, under a settlement agreement signed by Samba with ZATCA in respect to prior years (from 2006 to 2018), to be paid through 2023 in equal installments. The Bank has already paid four instalments of SAR 1,575 million up to December 2021. The Bank has two remaining installments with a total amount of SAR 400 million to be paid in 2023.
- (b) Most of the Group's subsidiaries have filed their zakat returns up to 31 December 2022 and have received provisional certificates for the same.

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

	<i>2022</i>		<i>2021</i>	
	<i>Amount</i>	<i>Expiry period</i>	<i>Amount</i>	<i>Expiry period</i>
Expire	3,016	[2023-2042]	817	[2023-2041]
Never expire	14,775		7,693	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***13. INVENTORIES****Significant accounting policies that apply to 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 realizable 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 labor 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 realizable 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.

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:

- labor 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.

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:

- labor 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***13. INVENTORIES (continued)****Significant accounting policies that apply to inventories (continued)*****Mining operations - Ore stockpiles (continued)***

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.

Real Estate – Development 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 development property and is measured at the lower of cost and net realizable 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 a development 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 development properties 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 development properties on an annual basis. The operating cycle of Real Estate development properties are expected to be realized beyond a period of 12 months from the reporting date. At each reporting date, the management categorizes the Real Estate inventories as current and non-current based on their expected realization date.

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 labor, other direct costs and related production overheads (based on normal operating capacity).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***13. INVENTORIES (continued)**

	<i>As at</i> <i>31 December</i> <i>2022</i>	<i>As at</i> <i>31 December</i> <i>2021</i>	<i>As at</i> <i>1 January 2021</i>
Finished Goods	7,959	4,896	3,867
Work-in-progress	5,321	2,127	1,086
Raw materials	5,188	1,913	941
Spare parts	3,393	3,477	3,077
Others *	917	924	564
	22,778	13,337	9,535
Less: Provision for obsolete and slow-moving inventories	(2,981)	(791)	(532)
Total	19,797	12,546	9,003
Disclosed as:			
Non-current	2,310	877	195
Current	17,487	11,669	8,808
Total	19,797	12,546	9,003

* Others mainly include agricultural produce and stockpiles of mine ore.

13.1 The movement in allowance for obsolete and slow-moving inventories

	<i>2022</i>	<i>2021</i>
As at 1 January	791	532
Charge during the year	2,205	389
Reversal during the year	(31)	(4)
Other adjustments	16	(126)
At 31 December	2,981	791

13.2 Other disclosures related to inventories:

- (a) The carrying amount of inventories carried at NRV as at 31 December 2022 amounting SAR 6,155 million (as at 31 December 2021: SAR 1,888 million; as at 1 January 2021: SAR 1,877 million).
- (b) Finished goods as at 31 December 2022 include development properties for sale amounting to SAR 981 million (as at 31 December 2021: SAR 1,432 million, as at 1 January 2021: nil). Work-in-progress as at 31 December 2022 include properties under development amounting to SAR 3,907 million (as at 31 December 2021: SAR 2,127 million, as at 1 January 2021: SAR 195 million). During the year ended 31 December 2022 an amount of 1,335 of development properties were acquired through business combination (2021: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

14. DERIVATIVES

**Significant accounting policies that apply to 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

14. DERIVATIVES (continued)

**Significant accounting policies that apply to derivative financial instruments and hedge accounting (continued)****(b) Hedge accounting (continued)****▪ Fair value hedges (continued)**

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.

(c) Embedded derivatives

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

- the host contract is not an asset in the scope of IFRS 9;
- hybrid contract is not measured at FVTPL
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; &
- 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 30 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***14. DERIVATIVES (continued)**

In the ordinary course of business of banking operations, the Group utilizes the following financial derivative instruments for both trading and hedging purposes:

- **Swaps:** Swaps are commitments to exchange one set of cash flows for another. For special commission rate swaps, counterparties generally exchange fixed and floating rate special commission payments in a single currency without exchanging principal. For currency swaps, fixed special commission payments and principal are exchanged in different currencies. For cross-currency special commission rate swaps, principal and fixed and floating special commission payments are exchanged in different currencies.
- **Forwards and futures:** Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Foreign currency and special commission rate futures are transacted in standardized amounts on regulated exchanges. Changes in futures contract values are settled daily
- **Options:** Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.
- **Structured derivative products:** Structured derivative products provide financial solutions to the customers of the Group to manage their risks in respect of foreign exchange, special commission rate and commodity exposures and enhance yields by allowing deployment of excess liquidity within specific risk and return profiles. The majority of the Group's structured derivative transactions are entered on a back-to-back basis with various counterparties.

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favorable 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 43](#) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***14. DERIVATIVES (continued)**

The tables below show the positive and negative fair values of derivatives, together with the notional amounts analyzed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor to market risk.

14.1 Derivatives held for trading**As at 31 December 2022:**

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	21,213	20,356	122,148	507,646	629,794
Forward foreign exchange contracts	572	450	215,103	38,925	254,028
Interest rate options	152	161	7,581	17,310	24,891
Foreign exchange options	72	46	4,653	1,301	5,954
Others	7	7	150	343	493
Common Stock warrants ^(a)	-	527	-	-	-
Total derivatives held for trading	22,016	21,547	349,635	565,525	915,160

As at 31 December 2021:

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	8,624	8,157	75,533	424,093	499,626
Forward foreign exchange contracts	744	233	168,985	45,580	214,565
Interest rate options	177	178	2,220	17,617	19,837
Foreign exchange options	171	176	5,384	749	6,133
Others	15	17	64	505	569
Common Stock warrants ^(a)	-	5,231	-	-	-
Total derivatives held for trading	9,731	13,992	252,186	488,544	740,730

As at 1 January 2021:

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	8,236	8,016	40,214	241,557	281,771
Forward foreign exchange contracts	581	308	106,230	44,364	150,594
Interest rate options	-	-	-	-	-
Foreign exchange options	12	13	1,398	97	1,495
Others	500	251	2,303	17,608	19,911
Total derivatives held for trading	9,329	8,588	150,145	303,626	453,771

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***14. DERIVATIVES (continued)****14.1 Derivatives held for trading (continued)**

During the year ended 31 December 2021, one of the Group's subsidiaries effectively issued private warrants to purchase shares of the subsidiary's common stock. The private warrants were initially recognized as a liability with a fair value of SAR 3,374 million. The private warrants remained unexercised and were remeasured to fair value of SAR 527 million (2021: SAR 5,231 million), resulting in a gain of SAR 4,704 million during the year ended 31 December 2022 (2021: loss of SAR 1,857 million) recognized in the consolidated statement of profit or loss.

The fair value of the private warrants that were subject to the contingent forfeiture provisions was estimated using a Monte-Carlo simulation method. The Group's assumptions used in determining the fair value of preferred stock warrant at 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
Volatility	80%	85%
Expected term (in years)	3.6	4.6
Risk-free rate	4.11%	1.20%
Expected dividends rate	0.00%	0.00%

14.2 Derivatives held as cash flow hedges*As at 31 December 2022:*

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	368	969	8,894	9,633	18,527
Total derivatives held as cash flow hedges	368	969	8,894	9,633	18,527

As at 31 December 2021:

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	111	326	1,167	19,395	20,562
Interest rate cap	-	5	-	105	105
Total derivatives held as cash flow hedges	111	331	1,167	19,500	20,667

As at 1 January 2021:

	<i>Derivative assets – fair value</i>	<i>Derivative liabilities – fair value</i>	<i>Notional amounts</i>		
			<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>Total</i>
Interest rate swaps	178	462	1,888	13,969	15,857
Interest rate cap	-	6	-	105	105
Total derivatives held as cash flow hedges	178	468	1,888	14,074	15,962

The average fixed interest rate on the interest rate swaps designated as cash flows hedges ranged between 1.50% and 2.87% (2021: 1.50% and 3.53%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

14. DERIVATIVES (continued)

14.3 Derivatives held as fair value hedges

As at 31 December 2022:

	Derivative assets – fair value	Derivative liabilities – fair value	Notional amounts		
			Less than 1 year	More than 1 year	Total
Interest rate swaps	2,460	495	19,520	33,061	52,581
Total derivatives held as fair value hedges	2,460	495	19,520	33,061	52,581

As at 31 December 2021:

	Derivative assets – fair value	Derivative liabilities – fair value	Notional amounts		
			Less than 1 year	More than 1 year	Total
Interest rate swaps	94	1,859	2,437	28,699	31,136
Total derivatives held as fair value hedges	94	1,859	2,437	28,699	31,136

As at 1 January 2021:

	Derivative assets – fair value	Derivative liabilities – fair value	Notional amounts		
			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 as fair value hedges	73	3,458	26,808	26,882	53,690

14.4 Fair value of derivatives

	As at		
	31 December 2022	31 December 2021	1 January 2021
Fair value of derivative assets			
Non-current	23,253	8,667	9,373
Current	1,591	1,269	207
Sub-total (A)	24,844	9,936	9,580
Fair value of derivative liabilities			
Non-current	21,948	14,702	11,687
Current	1,063	1,480	827
Sub-total (B)	23,011	16,182	12,514
Net fair value of derivatives (A – B)	1,833	(6,246)	(2,934)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***15. PROMISSORY NOTES**

This represents the balance of the amount receivable from Saudi Arabian Oil Company ("Aramco"), measured at amortized cost, with respect to the sale of 70% equity interest in Saudi Basic Industries Company ("SABIC"), a former subsidiary of the Group, during 2020 for a consideration of SAR 259,125 million (equivalent to US \$69.1 billion). This consideration was settled through issuance of promissory notes.

Based on the schedule of principal and loan charges agreed by the Group and Aramco, the effective interest rate of the promissory note is computed at 2.28%. Portion of the notes were settled early in cash during the year resulting in a discounting loss of SAR 3,074 million recognized in consolidated statement of profit or loss.

The movement of Aramco promissory notes

	<i>2022</i>	<i>2021</i>
As at 1 January	222,303	235,901
Payment received during the period	(100,521)	(18,750)
Loss on prepayment of promissory notes	(3,074)	-
Total amount of outstanding installments	118,708	217,151
Interest for the period	3,475	5,152
Carrying value of Aramco promissory notes at 31 December	122,183	222,303
<i>Disclosed as:</i>		
Non-current	80,933	188,553
Current	41,250	33,750
Total	122,183	222,303

16. INVESTMENT SECURITIES**16.1 Classification of Group's investments**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Measured at fair value through profit or loss (FVTPL)			
Equities, mutual funds, hedge funds and others	533,464	512,305	417,438
Fixed rate debt securities	12,635	13,906	9,753
Floating rate debt securities	248	131	-
Investment securities measured at FVTPL (A)	546,347	526,342	427,191
	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Measured at fair value through other comprehensive income (FVOCI)			
Equities	376,517	97,130	76,108
Fixed rate debt securities	62,175	61,019	42,569
Floating rate debt securities	20,283	15,511	15,685
Investment securities measured at FVOCI (B)	458,975	173,660	134,362

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***16. INVESTMENT SECURITIES (continued)****16.1 Classification of Group's investments (continued)**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Measured at amortized cost			
Fixed rate debt securities	188,373	165,640	149,394
Floating rate debt securities	48,699	59,084	26,847
Sub-total	237,072	224,724	176,241
Allowance for impairment (ECL)	(869)	(294)	(309)
Investment securities measured at amortized cost (C)	236,203	224,430	175,932
Total investment securities (A+B+C)	1,241,525	924,432	737,485
<i>Disclosed as:</i>			
Non-current	844,903	656,815	469,214
Current	396,622	267,617	268,271
Total	1,241,525	924,432	737,485

16.2 The product-wise breakdown of the investment securities, net of impairment as at:

	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Equities and investment funds	918,387	659,234	565,002
Sukuk issued by Government	183,374	189,035	54,570
Sukuk issued by others	52,117	44,160	104,962
Sukuk issued by banks and financial institutions	15,416	7,420	3,801
Certificates of deposit	652	36	1,764
Other securities	71,579	24,547	7,386
Total investment securities	1,241,525	924,432	737,485

16.3 The currency analysis of the investment securities, net of impairment, as at:

	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
SAR	616,319	341,840	234,155
USD	490,515	467,593	405,820
GBP	4,831	42,798	9,370
EUR	39,315	4,731	42,728
Other currencies	90,545	67,470	45,412
Total investment securities	1,241,525	924,432	737,485

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***16. INVESTMENT SECURITIES (continued)****16.4 The geographic analysis of the Group's investment securities, net of impairment, as at:**

	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
MENA region	654,617	404,697	303,129
United States of America	304,768	241,307	269,729
Europe	161,277	184,136	91,150
Others	120,863	94,292	73,477
Total investment securities	1,241,525	924,432	737,485

Others mainly include investments in the Republic of India, People's Republic of China, Japan, Dominion of Canada and Hong Kong.

16.5 Disclosures for debt securities carried at amortized cost**(a) The movement of changes in the gross amount of debt instruments carried at amortized cost:**

	<i>Stage 1 12-month ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total</i>
As at 1 January 2022	223,237	1,281	206	224,724
Newly originated or purchased	29,460	2,508	51	32,019
Derecognized on repayment or disposal	(17,615)	(1,925)	-	(19,540)
Transfers to Stage 1	765	(765)	-	-
Transfers to Stage 2	(141)	141	-	-
Transfers to Stage 3	(721)	(10)	731	-
Translation differences and write offs	(131)	-	-	(131)
At 31 December 2022	234,854	1,230	988	237,072
Allowance for impairment (ECL)	(100)	(34)	(735)	(869)
	234,754	1,196	253	236,203

	<i>Stage 1 12-month ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total</i>
As at 1 January 2021	174,327	1,708	206	176,241
Newly originated or purchased	82,188	190	-	82,378
Derecognized on repayment or disposal	(33,798)	(20)	-	(33,818)
Transfers to Stage 1	621	(621)	-	-
Transfers to Stage 2	(24)	24	-	-
Translation differences	(77)	-	-	(77)
At 31 December 2021	223,237	1,281	206	224,724
Allowance for impairment (ECL)	3	(91)	(206)	(294)
	223,240	1,190	0	224,430

There were no transfers from and to Stage 3 during the year ended 31 December 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***16. INVESTMENT SECURITIES (continued)****16.5 Disclosures for debt securities carried at amortized cost (continued)****(b) Analysis of unrealized revaluation gains/(losses) and fair value of investments held at amortized cost:**

	<i>Carrying value as at 31 December</i>	<i>Gross unrealized profit</i>	<i>Gross unrealized loss</i>	<i>Fair value as at 31 December</i>
As at 31 December 2022:				
Fixed rate debt securities	187,515	187	(12,492)	175,210
Floating rate debt securities	48,688	1,251	(82)	49,857
Total	236,203	1,438	(12,574)	225,067
As at 31 December 2021:				
Fixed rate debt securities	165,377	976	(611)	165,742
Floating rate debt securities	59,053	7	(87)	58,973
Total	224,430	983	(698)	224,715
As at 1 January 2021:				
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

16.6 Disclosures for debt securities carried at FVOCI**(a) The movement of changes in the debt instruments carried at FVOCI is as follows:**

	<i>Stage 1 12-month ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total</i>
As at 1 January 2022	76,158	372	-	76,530
Newly originated or purchased	37,021	-	-	37,021
Derecognized on sale or disposal	(31,169)	-	-	(31,169)
Change in fair value	76	-	-	76
At 31 December 2022	82,086	372	-	82,458

	<i>Stage 1 12-month ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total</i>
As at 1 January 2021	56,995	1,259	-	58,254
Newly originated or purchased	20,164	-	-	20,164
Derecognized on sale or disposal	(1,585)	(303)	-	(1,888)
Transfers to Stage 2	584	(584)	-	-
At 31 December 2021	76,158	372	-	76,530

There were no transfers between Stages during the year ended 31 December 2022 and no transfers to and from Stage 3 during the year ended 31 December 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***16. INVESTMENT SECURITIES (continued)****16.7 The classification of net investment securities (excluding equity instruments) as per their external ratings***As at 31 December 2022*

<i>Rating</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total</i>
AAA	-	13,886	4,351	18,237
AA+	10	91	1,954	2,055
AA	-	2,683	4,643	7,326
AA-	-	2,460	8,577	11,037
A+	1,078	16,630	82,381	100,089
A	-	11,202	70,207	81,409
A-	153	6,788	2,237	9,178
BBB+	-	1,367	1,149	2,516
BBB- and below	836	14,046	6,607	21,489
Unrated	10,806	13,305	54,097	78,208
Total	12,883	82,458	236,203	331,544

As at 31 December 2021

AAA	-	7,507	3,252	10,759
AA+	-	68	4,228	4,296
AA	116	3,006	5,904	9,026
AA-	-	1,815	7,553	9,368
A+	1,224	847	5,486	7,557
A	1,653	41,434	126,048	169,135
A-	319	2,155	6,116	8,590
BBB+	-	1,270	1,178	2,448
BBB- and below	832	14,594	9,057	24,483
Unrated	9,893	3,834	55,608	69,335
Total	14,037	76,530	224,430	314,997

As at 1 January 2021

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

As at 31 December 2022, the unrated investment securities include an amount of SAR 50,112 million (as at 31 December 2021: SAR 51,803 million, as at 1 January 2021: SAR 71,454 million) which are fully collateralized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

16. INVESTMENT SECURITIES (continued)

16.8 The analysis of the composition of investment securities

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>		<i>As at 1 January 2021</i>	
	<i>Quoted</i>	<i>Un-quoted</i>	<i>Quoted</i>	<i>Un-quoted</i>	<i>Quoted</i>	<i>Un-quoted</i>
Measured at FVTPL						
Equity, mutual funds, hedge funds and others	145,760	387,704	97,856	414,449	76,295	341,143
Fixed rate debt securities	191	12,444	359	13,547	764	8,989
Floating rate debt securities	-	248	-	131	-	-
Investment securities measured at FVTPL (A)	145,951	400,396	98,215	428,127	77,059	350,132
Measured at FVOCI						
Equity	334,358	42,159	65,442	31,688	56,178	19,930
Fixed rate debt securities	57,579	4,596	60,509	510	41,841	728
Floating rate debt securities	15,115	5,168	14,852	659	8,385	7,300
Investment securities measured at FVOCI (B)	407,052	51,923	140,803	32,857	106,404	27,958
Measured at amortized cost						
Fixed rate debt securities	131,457	56,994	100,245	65,381	60,616	88,778
Floating rate debt securities	39,121	9,500	46,963	12,121	21,010	5,837
Other securities	-	-	-	14	-	-
Sub-total	170,578	66,494	147,208	77,516	81,626	94,615
Less: Allowance for impairment (ECL)	(98)	(771)	(100)	(194)	(66)	(243)
Investment securities at amortized cost (C)	170,480	65,723	147,108	77,322	81,560	94,372
Total investments securities (A+B+C)	723,483	518,042	386,126	538,306	265,023	472,462

16.9 Investments in equity instruments designated at fair value through other comprehensive income

	<i>As at</i>		
<i>Particular</i>	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Domestic – quoted	301,097	13,584	14,215
International – quoted	33,261	51,844	43,260
Domestic – unquoted	5,677	6,469	1,407
International – Unquoted	36,482	25,233	17,226
Total	376,517	97,130	76,108

On initial recognition, for an equity investment that is not held for trading but for strategic purposes, 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.

Dividends recognized during the year ended 31 December 2022 from the investments held at the end of the reporting period amounted to SAR 15,314 million (2021: SAR 2,115 million)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

16. INVESTMENT SECURITIES (continued)

16.10 Other disclosures related to investment securities:

- (a) Fixed rate bonds and Sukuk carry annual interest rates ranging from 0.12% to 17.50% (2021: from 0% to 9.25%).
- (b) Floating rate bonds and Sukuk carry annual interest margins of from 0.70% to 10.00% (2021: 0.70% to 1.50%) over SAIBOR or SONIA or 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) Investments held at amortized cost as at 31 December 2022 include investments amounting to SAR 6,687 million (as at 31 December 2021: SAR 4,491 million, as at 1 January 2021: SAR 4,145 million) which are held under a fair value hedge relationship. As at 31 December 2022, the fair value of these investments amounts to SAR 4,924 million (as at 31 December 2021: SAR 4,441 million, as at 1 January 2021: SAR 4,976 million).
- (e) Investments as at 31 December 2022 include securities that are issued by the Ministry of Finance of the Kingdom of Saudi Arabia amounting to SAR 156,421 million (as at 31 December 2021: SAR 151,596 million, as at 1 January 2021: SAR 80,842 million).
- (f) 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 2022, securities amounting to SAR 4,904 million (as at 31 December 2021: SAR 3,221 million, as at 1 January 2021: SAR 4,488 million) have been lent to counterparties under securities lending transactions.
- (g) 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 as at 31 December 2022 amounting to SAR 1,382 million (as at 31 December 2021: SAR 1,686 million; as at 1 January 2021: SAR 5,324 million). The Group is allowed to sell or repledge these securities in the event of default by the counterparty.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

17. OTHER ASSETS

**Significant accounting policies that apply to other assets**

The accounting policy for other assets that meet the definition of a financial asset is covered within significant accounting policies that apply to the overall financial statements (refer to [note 3](#)). Below are the accounting policies for some categories of assets within this note.

Contract balances arising from contracts with customers

- 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) (refer to [note 20](#) for accounting policy related to trade receivables).

Assets 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.

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.

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.

Service concession assets

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.

Service concession asset are measured at fair value. The service concession assets, which are under construction, current replacement cost method is assessed and as an appropriate method to determine the fair value and taking into account IAS 16 cost criteria to identify cost eligible for capitalization. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***17. OTHER ASSETS (continued)**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Financial assets			
Loans and advances (note 17.1)	9,628	10,962	16,579
Receivables from affiliated entities	5,536	-	5,670
Clearing participant financial assets (note 17.2)	4,061	18	-
Margin deposits against derivatives and repos (Banking and financing operations)	2,992	10,145	12,238
Advances for investment in other entities	3,228	2,444	636
Customers' trust accounts	1,781	1,151	360
Loan and advances to employees	1,281	1,261	1,318
Receivables from associates and joint ventures	348	2,731	5,226
Government grant receivables	204	1,600	178
Other financial assets	3,865	2,765	2,529
Sub-total	32,924	33,077	44,734
Less: Allowance for expected credit loss	(221)	(109)	(6,183)
Total financial assets (A)	32,703	32,968	38,551
Non-financial assets			
Advances and deposits given to contractors and suppliers	27,134	15,894	11,685
Contract assets (note 17.3)	15,911	12,803	12,565
VAT Receivables	5,396	3,321	1,392
Contract fulfillment cost (note 17.4)	4,079	3,494	2,849
Prepaid expenses	2,508	1,802	1,167
Assets purchased under Murabaha arrangements (note 17.5)	2,278	3,002	2,729
Service concession assets (note 17.6)	1,262	1,584	1,059
Other real estate	1,018	1,227	1,205
Gold deposits	716	1,756	3,333
Other non-financial assets	3,097	3,814	2,644
Sub-total	63,399	48,697	40,628
Less: Allowance for impairment (note 17.7)	(1,172)	(1,154)	(1,285)
Total non-financial assets (B)	62,227	47,543	39,343
Total other assets (A + B)	94,930	80,511	77,894
Disclosed as:			
Non-current	31,138	23,513	42,463
Current	63,792	56,998	35,431
Total	94,930	80,511	77,894

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***17. OTHER ASSETS (continued)****17.1 Loans and advances**

Loans and advances represent the receivables arising from the Group excluding banking and financing subsidiaries. For financing and advances for banking and financing subsidiaries refer to [note 18](#).

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Loans and advances	9,628	10,962	16,579
Allowance for expected credit loss	(73)	(93)	(214)
Loans and advances, net	9,555	10,869	16,365

17.2 Clearing Participant Financial Asset

This represents cash collateral received from clearing participants in the form of initial margin, variation margin and default funds for the equity and derivatives markets and is invested as follows:

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Deposits with Saudi Central Bank ("SAMA")	3,062	18	-
Investment in SAMA Bills	999	-	-
Total	4,061	18	-

Commission is earned on deposits with SAMA and SAMA bills at the prevailing market rates offered by SAMA. A portion of the commission is recorded as commission income in the consolidated statement of profit or loss by the Group and the clearing members' share of the commission earned is added to their collateral accounts. These funds are not available for use in the operations of the Group.

As of each reporting date, all deposits with SAMA and SAMA Bills are assessed to have low credit risk as these are placed/issued by Government sovereign financial institutions and there has been no history of default with any of the Group's deposit and investments in bills. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

17.3 Contract assets

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Contract assets	15,911	12,803	12,565
Allowance for impairment	(474)	(384)	(722)
Contract assets, net	15,437	12,419	11,843

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***17. OTHER ASSETS (continued)****17.4 Contract fulfillment costs**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Costs to obtain contracts with customers	111	115	146
Pre-contract costs	435	482	484
Setup costs	3,533	2,897	2,219
Allowance for impairment	-	(11)	-
Contract fulfillment costs, net	4,079	3,483	2,849

Contract fulfillment costs comprises mainly from advances, payments, payables, accruals to contractors and equipment installation costs incurred to deliver energy rehabilitation and telecommunication services to clients. Contract fulfillment costs are amortized to the consolidated statement of profit or loss on systematic basis when the Group establishes its right to generate revenue and over the contract/anticipated contract period.

17.5 Assets purchased under Murabaha arrangements

These assets represent a non-financial asset 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.

17.6 Service concession assets

One of the Group's subsidiaries entered into service concession agreements with private operators for the development and maintenance of construction of four construction villages which will largely accommodate workers hired by third-party contractors. The land on which the facilities are 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. The Group is the Grantor under these service concession arrangements and controls the asset being constructed.

The remaining service concession assets are still work in progress and have been recognized at cost incurred to date being the best estimate of current replacement cost as of 31 December 2022. The amounts recognized in the balance sheet and the movements over the year are as follows:

	<i>2022</i>	<i>2021</i>
As at 1 January	1,584	1,059
Additions during the year	948	525
Transferred to property, plant and equipment	(1,519)	-
Other adjustment	249	-
At 31 December	1,262	1,584

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

	<i>2022</i>	<i>2021</i>
As at 1 January	1,154	1,285
Charge during the year	109	405
Acquired through business combination	118	65
Write off during the year	(187)	(601)
Other adjustments	(22)	-
At 31 December	1,172	1,154

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***18. FINANCING AND ADVANCES****Significant accounting policies that apply to financing and advances**

Financing and advances represent the receivables arising from the banking and financing subsidiaries of the Group. Financing and advances are non-derivative financial assets originated or acquired by the Group with fixed or determinable payments.

Financing and advances are recognized when cash is advanced to borrowers. They are derecognized when either the borrower repays their obligations, or the financing and advances are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financing and advances are initially measured at fair value of the consideration given. Following initial recognition, financing and advances for which fair value has not been hedged are stated at amortized cost less any amount written off and ECL allowances for impairment. For presentation purposes, allowance for expected credit losses is deducted from financing and advances.

18.1 The breakdown of the financing and advances

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Conventional financing and advances			
Corporate	66,380	65,956	30,783
Consumer and credit card	8,439	8,100	3,588
International	15,706	17,010	17,355
Other ^(a)	18,438	16,584	21,170
Total conventional financing and advances (A)	108,963	107,650	72,896
Sharia compliance financing and advances			
Ijara receivables – Corporate	23,054	22,290	21,872
Ijara receivables – Consumer and credit card	49,030	41,580	37,934
Total Ijara receivables (B)	72,084	63,870	59,806
Murabaha receivables - Corporate	139,355	136,389	97,791
Murabaha receivables - Consumer and credit card	284,253	239,445	162,108
Total Murabaha receivables (C)	423,608	375,834	259,899
Gross Financing and advances (A + B + C)	604,655	547,354	392,601
Allowance for ECL	(12,411)	(11,992)	(9,847)
Financing and advances, net	592,244	535,362	382,754
Disclosed as:			
Non-current	279,386	234,220	172,783
Current	312,858	301,142	209,971
	592,244	535,362	382,754
Performing and non-performing financing and advances:			
Performing financing and advances	592,448	535,356	385,079
Non-performing financing and advances	12,207	11,998	7,522
	604,655	547,354	392,601

(a) Others include financing to financial institutions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***18. FINANCING AND ADVANCES (continued)****18.2 The ageing of the gross performing financing and advances**

<i>As at 31 December 2022</i>					
	<i>Conventional</i>	<i>Ijara</i>	<i>Murabaha</i>	<i>Others^(a)</i>	<i>Total</i>
Neither past due nor impaired	84,948	69,190	406,984	17,944	579,066
Past due but not impaired					
Less than 30 days	1,324	699	3,887	406	6,316
30-59 days	507	380	2,181	-	3,068
60-89 days	1,479	394	2,125	-	3,998
Total past due, not impaired	3,310	1,473	8,193	406	13,382
Total performing financing and advances	88,258	70,663	415,177	18,350	592,448
<i>As at 31 December 2021</i>					
	<i>Conventional</i>	<i>Ijara</i>	<i>Murabaha</i>	<i>Others^(a)</i>	<i>Total</i>
Neither past due nor impaired	83,653	61,267	361,659	16,480	523,059
Past due but not impaired					
Less than 30 days	1,967	927	4,627	-	7,521
30-59 days	170	346	1,869	-	2,385
60-89 days	1,335	164	892	-	2,391
Total past due, not impaired	3,472	1,437	7,388	-	12,297
Total performing financing and advances	87,125	62,704	369,047	16,480	535,356
<i>As at 1 January 2021</i>					
	<i>Conventional</i>	<i>Ijara</i>	<i>Murabaha</i>	<i>Others^(a)</i>	<i>Total</i>
Neither past due nor impaired	46,342	58,218	251,222	20,795	376,577
Past due but not impaired					
Less than 30 days	383	853	2,041	375	3,652
30-59 days	124	343	871	-	1,338
60-89 days	2,060	170	1,282	-	3,512
Total past due, not impaired	2,567	1,366	4,194	375	8,502
Total performing financing and advances	48,909	59,584	255,416	21,170	385,079

(a) Others include conventional financing to financial institutions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***18. FINANCING AND ADVANCES (continued)****18.3 The detailed movement of the gross financing and advances and movement in ECL****(a) Movement of changes in gross carrying amount by stage**

	<i>For the year ended 31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January	512,681	22,629	9,420	2,624	547,354
Net increase/(decrease) during the year	62,289	176	(103)	333	62,695
Transfers to Stage 1	2,962	(2,873)	(89)	-	-
Transfers to Stage 2	(10,594)	10,674	(80)	-	-
Transfers to Stage 3	(927)	(2,157)	3,084	-	-
Amount written-off	-	-	(2,126)	-	(2,126)
Translation differences	(4,380)	(407)	(264)	-	(5,051)
Other adjustments ⁽ⁱ⁾	1,129	449	205	-	1,783
At 31 December	563,160	28,491	10,047	2,957	604,655

(i) Other adjustments represent the impact of Samba Pakistan reclassification from assets classified as held for sale (refer to [note 21](#)).

	<i>For the year ended 31 December 2021</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January	362,719	22,362	7,520	-	392,601
Net increase/(decrease) during the year	28,218	717	911	-	29,846
Transfers to Stage 1	1,414	(1,370)	(44)	-	-
Transfers to Stage 2	(4,830)	5,017	(187)	-	-
Transfers to Stage 3	(767)	(3,147)	3,914	-	-
Amount recognized from business combination	134,670	-	-	2,624	137,294
Amount written-off	-	-	(2,103)	-	(2,103)
Translation differences	(8,743)	(950)	(591)	-	(10,284)
At 31 December	512,681	22,629	9,420	2,624	547,354

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***18. FINANCING AND ADVANCES (continued)****18.3 The detailed movement of the gross financing and advances and movement in ECL (continued)****(b) Movement of changes in ECL amount by stage**

<i>For the year ended 31 December 2022</i>					
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January	2,484	3,128	6,380	-	11,992
Net impairment charge / (reversal)	(515)	793	2,837	-	3,115
Transfers to Stage 1	155	(124)	(31)	-	-
Transfers to Stage 2	(64)	83	(19)	-	-
Transfers to Stage 3	(26)	(206)	232	-	-
Bad debt written off	-	-	(2,481)	-	(2,481)
Translation differences	3	(101)	(232)	-	(330)
Other adjustments	25	3	87	-	115
At 31 December	2,062	3,576	6,773	-	12,411

<i>For the year ended 31 December 2021</i>					
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January	1,831	2,613	5,403	-	9,847
Net impairment charge / (reversal)	586	1,316	2,919	-	4,821
Transfers to Stage 1	97	(81)	(16)	-	-
Transfers to Stage 2	(93)	164	(71)	-	-
Transfers to Stage 3	(13)	(771)	784	-	-
Amount recognized from business combination	-	(1)	-	-	(1)
Bad debt written off	-	-	(1,964)	-	(1,964)
Translation differences	76	(112)	(675)	-	(711)
At 31 December	2,484	3,128	6,380	-	11,992

18.4 Impairment charge for financing and advances losses recognized in the consolidated statement of profit or loss represents

	<i>2022</i>	<i>2021</i>
Net impairment (reversal)/charge	3,101	4,821
Provision/(reversal) against indirect facilities (included in other liabilities)	(13)	128
Recoveries of debts previously written-off	(1,235)	(1,032)
Direct write-off	37	206
Others	(25)	(2)
Net charge for the year	1,865	4,121

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***18. FINANCING AND ADVANCES (continued)****18.5 Other disclosures related to financing and advances**

- (a) Financing products, included in financing and advances, gross, in compliance with Shariah rules as at 31 December 2022 was SAR 504,421 million (as at 31 December 2021: SAR 447,954 million, as at 1 January 2021: SAR 335,528 million)
- (b) The financing and advances as at 31 December 2022 include gross finance lease receivables (including Ijara in compliance with Shari'a rules) amounting to SAR 57,794 million (as at 31 December 2021: SAR 58,674 million, as at 1 January 2021: SAR 54,993 million), unearned finance income on finance lease amounting to SAR 10,975 million (as at 31 December 2021: SAR 11,031 million, as at 1 January 2021: SAR 11,478 million), net amounting to SAR 46,819 million (as at 31 December 2021: SAR 47,642 million, as at 1 January 2021: SAR 43,515 million). Allowance for uncollectable finance lease receivables as at 31 December 2022 included in the allowance for expected credit losses amounts to SAR 705 million (as at 31 December 2021: SAR 875 million, as at 1 January 2021: SAR 910 million).
- (c) The carrying amount of restructured facilities as at 31 December 2022 is SAR 2,919 million (as at 31 December 2021: SAR 5,089 million, as at 1 January 2021: SAR 3,469 million).
- (d) The fair value of collateral that the Group holds relating to financing and advances classified under Stage 2 at 31 December 2022 amounts to SAR 11,827 million (at 31 December 2021: SAR 3,035 million, at 1 January 2021: SAR 2,422 million). The fair value of collateral that the Group holds relating to financing and advances individually determined to be impaired classified under Stage 3 at 31 December 2022 amounts to SAR 1,678 million (at 31 December 2021: SAR 1,841 million, at 1 January 2021: SAR 1,561 million).
- (e) Special commission income relating to non-performing financing and advances during the year is SAR 1,002 million (2021: SAR 999 million).

19. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**Significant accounting policies that apply to cash and deposits with banks and financial institutions*****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.

19.1 Banking and Financing Operations

	<i>As at</i>	<i>As at</i>	<i>As at</i>
<i>(a) Cash and balances with Central Banks</i>	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Money market placements and current account	24,163	33,547	49,700
Short-term statutory deposits	35,636	35,797	24,197
Cash on hand	7,101	8,398	7,585
Total cash and balances with Central Bank	66,900	77,742	81,482

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***19. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)****19.1 Banking and Financing Operations (continued)**

<i>(b) Due from banks and other financial institutions, net</i>	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Money market placement	27,275	32,523	27,885
Current account	14,691	30,119	6,627
Reverse repurchase agreement	782	1,686	5,326
	42,748	64,328	39,838
Less: Allowance for impairment (ECL)	(2)	(3)	(3)
Total due from banks and other financial institutions	42,746	64,325	39,835
Total (A)	109,646	142,067	121,317

19.2 Non-Banking and Financing Operations

	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Cash on hand	178	134	57
Cash at banks	58,667	75,684	54,627
Balances with other financial institutions	5,512	1,339	2,704
Islamic Murabaha deposits (less than 3 months)	29,978	7,732	10,409
Conventional deposits with banks (less than 3 months)	30,628	38,591	39,886
Conventional deposits with banks (more than 3 months)	11,236	7,760	13,704
Islamic Murabaha deposits (more than 3 months)	11,686	8,965	7,037
	147,885	140,205	128,424
Less: Allowance for impairment (ECL)	(17)	(14)	(2)
Total (B)	147,868	140,191	128,422
Total cash and deposits with banks and other financial institutions (A + B)	257,514	282,258	249,739
<i>Disclosed as:</i>	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Non-current	14	1,263	13,631
Current	257,500	280,995	236,108
Total	257,514	282,258	249,739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***19. CASH AND DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)****19.3 For the purpose of the consolidated statement of cash flows, cash and cash equivalent**

	2022	2021
Total cash and deposits with banks and other financial institutions	257,514	282,258
Less: Statutory deposits	(35,636)	(35,797)
Less: Restricted balances	(3,378)	(241)
Less: due from banks and financial institutions with original maturity more than 3 months	(8,912)	(14,210)
Less: Short term deposits, Murhabas and other certificates with original maturity more than 3 months	(22,931)	(16,725)
	186,657	215,285
Cash and cash equivalent related to discontinued operations	-	-
Cash and cash equivalent	186,657	215,285

19.4 Other disclosures related to cash and deposits with banks and other financial institutions

- (a) Cash and deposits with banks and other financial institutions as at 31 December 2022 include statutory deposits amounting to SAR 35,636 million (as at 31 December 2021: SAR 35,797 million; as at 1 January 2021: 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. Therefore, statutory deposits are not part of cash and cash equivalent.
- (b) Interest rates and special commission income on deposits range from 0.11% to 10.00% (2021: from 0.10% to 3.7%).
- (c) Restricted bank balance represents mainly a balance held in escrow bank account for specified purpose and balance related to employees' savings plan obligation.
- (d) One of the Group's subsidiaries has a balance of SAR 1,400 million restricted in its bank accounts, which has not been recorded within the Group's assets, as this amount relates to services in which the respective subsidiary links them to technical systems for the purpose of transferring them between the parties benefiting from these services. and the consolidated statement of profit or loss has been charged with a total deposit income of SAR 3 million during the year ended 31 December 2022 (2021: nil).
- (e) Cash and cash equivalent as at 31 December 2022 include cash with an amount of SAR 4,637 million (as at 31 December 2021: SAR 414 million; as at 1 January 2021: SAR 340 million) held in escrow accounts for specific purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***20. TRADE RECEIVABLES****Significant accounting policies that apply to trade receivable**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognized initially at their transaction price (which 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) and subsequently measured at either amortized cost using the effective interest method, less expected credit loss ("ECL") allowance, if any, or at fair value through profit and loss. Details about the Group's impairment policies and the calculation of allowance for ECL are provided in [note 3](#).

Trade receivables that do not meet the criteria for amortized cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss ("FVTPL"). Any gain or loss arising on such trade receivables, if material, is recognized in the consolidated statement of profit or loss and presented within revenue.

	<i>As at</i> <u>31 December 2022</u>	<i>As at</i> <u>31 December 2021</u>	<i>As at</i> <u>1 January 2021</u>
Trade receivables from customers	15,152	13,061	7,725
Receivables from Government and Government related entities	41,620	45,287	27,942
Trade receivables, gross	56,772	58,348	35,667
Allowance for expected credit losses			
Trade receivables from customers	(2,521)	(2,916)	(2,860)
Receivables from Government and Government related entities	(1,719)	(1,102)	(1,042)
Total allowance for expected credit loss	(4,240)	(4,018)	(3,902)
Trade receivables, net	52,532	54,330	31,765

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***20. TRADE RECEIVABLES (continued)**

The Group holds all its trade receivables, within a business model, with the objective of collecting the contractual cash flows. However, the contractual terms of certain trade receivables as at 31 December 2022 with an amount of SAR 3,540 million (as at 31 December 2021: SAR 2,973 million; as at 1 January 2021: SAR 1,456 million) do not give rise, on a specific date, to cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, they are measured at FVTPL.

The fair value of trade receivables carried at FVTPL are valued using valuation techniques, which employ the use of market observable inputs. The valuation techniques incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. As at the reporting date, the marked-to-market value of provisionally priced trade receivables is net of a credit valuation adjustment attributable to customer default risk. The changes in counterparty credit risk had no material effect on financial instruments recognized at fair value.

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

	2022	2021
As at 1 January	4,018	3,902
Charge during the year	1,410	2,299
Related to discontinued operations / assets held for sale	(14)	-
Acquired through business combination	206	262
Written-off during the year	(1,158)	(2,282)
Other adjustments	(222)	(163)
At 31 December	4,240	4,018

20.2 Ageing analysis of trade receivables:

	<i>As at</i> 31 December 2022	<i>As at</i> 31 December 2021	<i>As at</i> 1 January 2021
Not past due	11,311	10,928	4,957
Past due:			
Less than 3 months	9,947	11,007	9,481
3 to 6 months	5,327	4,200	3,331
7 to 12 months	11,348	14,825	10,131
More than 12 months	18,839	17,388	7,767
At 31 December	56,772	58,348	35,667

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

**Significant accounting policies that apply to assets and liabilities classified as 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. When the Group is committed to distribute the assets or disposal group to the Owner, non-current assets and disposal groups are classified as held for distribution. Non-current assets and disposal groups classified as held for sale (held for distribution) are measured at the lower of their carrying amount and fair value less costs to sell, and depreciation or amortization on such assets to cease. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale (held for distribution) classification is regarded as met only when the sale (distribution) is highly probable, and the asset or disposal group is available for immediate sale (immediate distribution) 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. Assets and liabilities classified as held for sale (held for distribution) 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 coordinated 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.

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

	<i>As at</i> <i>31 December 2022</i>		<i>As at</i> <i>31 December 2021</i>		<i>As at</i> <i>1 January 2021</i>	
	<i>Assets held for sale</i>	<i>Liabilities relating to assets held for sale</i>	<i>Assets held for sale</i>	<i>Liabilities relating to assets held for sale</i>	<i>Assets held for sale</i>	<i>Liabilities relating to assets held for sale</i>
Samba Bank Limited – Pakistan (“SP”) (note 21.1)	-	-	4,146	3,888	-	-
Investment property classified as held for sale (note 21.2)	1,550	125	1,032	125	985	-
Jubail Energy Services Company (“JESCO”) (note 21.3)	-	-	-	-	2,295	1,135
Other assets classified as held for sale	96	1	26	-	23	12
Total	1,646	126	5,204	4,013	3,303	1,147

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)**

The following are the results of the discontinued operations:

	2022		2021	
	<i>Profit/ (loss) for the period</i>	<i>Other comprehensive income</i>	<i>Profit/ (loss) for the period</i>	<i>Other comprehensive income</i>
Jubail Energy Services Company ("JESCO") (note 21.3)	-	-	(31)	-
Arabian Drilling Company (note 21.4)	2,086	5	-	-
Investment property classified as held for sale	(52)	-	-	-
Total	2,034	5	(31)	-

21.1 Samba Bank Limited – Pakistan ("SP")

A banking subsidiary of the Group holds 84.51% ownership share of SP over which the banking subsidiary acquired control through business combination. SP was incorporated as a banking company in Pakistan that is engaged in commercial banking and related services, and is listed on the Pakistan Stock Exchange. During the year ended 31 December 2021, the Board of Directors of the banking subsidiary resolved to invite tender bids from interested parties to carry out due diligence procedures to evaluate and pursue potential sale transactions, subject to receiving regulatory and shareholder approvals. As at 31 December 2021, the fair value less cost to sell of SP was not materially different from its net asset value. Subsequently, during the current year, the Board of Directors of the respective subsidiary reconsidered this decision and decided to retain the Bank's existing equity stake in Samba Bank Limited.

21.2 Investment property classified as held for sale

Before 1 January 2021, a subsidiary of the Group reached an advance level of agreement with a buyer for the sale of a specified property and during the year ended 31 December 2021, the respective subsidiary signed the agreement for the sale of such property. In accordance with the agreement, the respective subsidiary shall complete the property and will subsequently sell the same in accordance with terms and conditions specified in the agreement. During the year ended 31 December 2022, the cost incurred on the specified property is amounted to SAR 66 million (2021: SR 89 million) and the fair value as at 31 December 2022 is SR 1,044 million (as at 31 December 2021: SR 1,032 million; as at 1 January 2021: SR 985 million).

During the year ended 31 December 2022, a subsidiary of 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 property and will subsequently exchange the same with another property in accordance with terms and conditions specified in the agreement. The fair value of such property as at 31 December 2022 is SAR 612 million.

During the year, the Group has recognized an amount of SAR 52 million as a loss on the measurement to fair value less costs to sell or on the investment property classified as held for sale.

21.3 Jubail Energy Services Company ("JESCO")

Before 1 January 2021, the Group, through one of its subsidiaries, signed a sale agreement with a related party to sell its entire equity interest in JESCO. The sale was consummated upon successful completion of the conditions precedent ("CPs") as per the sale agreement, dated 31 July 2021 and accordingly JESCO was deconsolidated as of that date and reported the results for the period as discontinued operations. Accordingly, the assets and liabilities of JESCO were classified as held-for-sale as at 1 January 2021 and derecognized on 31 July 2021. The total loss and total comprehensive loss generated by JESCO, for the seven-month period ended 31 July 2021, amounting to SAR 31 million was presented separately as discontinued operations in the consolidated statement of profit and loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)****21.3 Jubail Energy Services Company ("JESCO") (continued)**

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

	<i>As at</i> <i>1 January 2021</i>
Assets	
Property, plant and equipment	1,491
Intangible assets	17
Inventories	539
Trade receivables	124
Cash and deposits with banks and other financial institutions	64
Right-of-use assets	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

21.4 Arabian Drilling Company ("ADC")

During the year ended 31 December 2022, ADC's shareholders approved to proceed with the Initial Public Offering ("IPO") of ADC's ordinary shares. IPO includes offer for sale and fresh issue of ADC's share capital. ADC listing resulted in loss of control by Group over ADC, hence the Group presented the results of ADC for the ten months period ended 31 October 2022 separately, as discontinued operations in the consolidated statement of profit or loss and other comprehensive income and reclassified comparative information accordingly. Pursuant to listing of ADC, the Group no longer has control over ADC, however the Group retained significant influence over ADC. Consequently, the Group's remaining investment in ADC has been accounted for as investment in associate (refer to [note 11](#)).

Due to presentation of results of ADC separately as discontinued operation, the Group has not eliminated transactions between continued and discontinued operations representing revenue from rig move services amounting to SR 4 million (31 December 2021: SR 2 million) respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)****21.4 Arabian Drilling Company ("ADC") (continued)****(a) Results for the discontinued operation of ADC are presented below:**

	2022	2021
Revenue	2,207	2,199
Expenses	(1,757)	(1,872)
Profit before tax for the year	450	327
Zakat and income tax expenses	21	(54)
Net results from discontinued operations	471	273
Gain on disposal and remeasurement of investment in ADC, net of cost to sell	1,615	-
Profit from discontinued operations	2,086	273
OCI (Remeasurement loss on employees' defined benefit obligations)	5	22
Total comprehensive income from discontinued operations	2,091	295

The profit from the discontinued operations for year ended 31 December 2022 is SAR 2,086 million (2021: SR 274 million) out of which profit for the year ended 31 December 2022 amounting to SAR 1,837 million (2021: SR 156 million) is attributable to the owners of the Group.

(b) Net assets of ADC:

	<i>As at</i> <i>31 October 2022</i>
Assets	
Property, plant and equipment	5,932
Intangible assets	4
Right-of-use assets	8
Inventories	177
Trade and other receivables	701
Cash and deposits with banks and other financial institutions	1,981
Other assets	30
Total assets	8,833
Liabilities	
Accounts payable, accruals and other liabilities	556
Interest-bearing loans and borrowings	3,219
Lease liabilities	9
Deferred tax liabilities	143
Employees' benefits obligations	275
Total liabilities	4,202
Net assets	4,631

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)****21.4 Arabian Drilling Company ("ADC") (continued)****(c) The net cash inflows (outflows) from ADC are, as follows:**

	2022	2021
Net cash inflow from operating activities	844	635
Net cash outflow from investing activities	(1,111)	(228)
Net cash inflow (outflow) from financing activities	1,837	(635)
Net cash inflow	1,570	(228)

(d) Gain on disposal of investment in ADC

Consideration received, net of cost to sell	880
Fair value of retained investment	3,178
Net assets of ADC as at 31 October 2022	(4,631)
Carrying amount of non-controlling interest of component	2,190
Cash flow hedge reserve attributable to ADC	(2)
Gain on disposal	1,615

(e) Cash realized on loss of control over ADC

Consideration received, net of cost to sell	880
Cash and cash equivalents of ADC at date of loss of control	(1,981)
Net cash realized	(1,101)

22. 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.

22.1 Additional capital contribution

Additional capital contribution represents capital contribution in cash or in kind by the Owner. The amount also includes funding paid by the Owner to the Fund's wholly owned subsidiaries which are, after considering various factors described in [note 3.2](#), 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.

Below are the contributions made during the year:

	2022	2021
Investment received from owner ^(a)	296,400	-
Cash received from Owner	5,777	12,660
Net asset received by Fund's wholly-owned subsidiary	5,377	6,361
Funding received by Fund's wholly-owned subsidiaries	9,934	7,447
Total contributions made during the year	317,488	26,468

(a) During the year, the Owner transferred to the Fund a portion of its interest, representing 4% ownership, in Saudi Arabian Oil Co.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

22. CAPITAL CONTRIBUTION (continued)

22.2 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.

22.3 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)

22.4 Other reserves

Other reserve mainly represents cumulative net changes in fair value of investment securities measured at FVOCI until the investments are derecognized and exchange difference on translation of foreign operations.

23. RELATED PARTY DISCLOSURES

Related parties represent the Owner, associated companies, joint ventures, key management personnel including directors of the Fund, and entities controlled or jointly controlled by such parties.

(a) Key management personnel

Key Management Personnel (as defined by IAS 24) for the Group includes:

- Members of Board of Directors of the Fund and their close family members,
- Members of Board Level Committees' of the Fund and their close family members, and
- Members of Management Level Committees' of the Fund and their close family members.

(b) Government of the Kingdom of Saudi Arabia (KSA Government)

The KSA Government is the ultimate controlling party and Owner of the Group and as a result, the KSA Government, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group.

During the years ended 31 December 2022 and 31 December 2021, respectively, 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 11](#) to these consolidated financial statements.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***23. RELATED PARTY DISCLOSURES (continued)****23.1 Balances with related parties***As at 31 December 2022*

	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Investment securities, net	183,374	4,517	-	187,891
Promissory note	122,183	-	-	122,183
Cash and deposits with banks and other financial institutions, net	39,740	22,180	-	61,920
Trade receivables, net	39,901	98	43	40,042
Financing and advances, net	-	24,547	486	25,033
Other assets, net	9,733	4,767	312	14,812
Customer deposits	43,100	1,099	315	44,514
Loans and borrowings	15,752	12,362	-	28,114
Trade and other payables	3,061	2,330	128	5,519

As at 31 December 2021

	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Promissory note	222,203	-	-	222,203
Investment securities, net	189,035	7,225	-	196,260
Cash and deposits with banks and other financial institutions, net	58,831	18,857	-	77,688
Trade receivables, net	44,185	496	28	44,709
Financing and advances, net	150	22,260	171	22,581
Other assets, net	1,261	4,074	2,670	8,005
Customer deposits	43,363	1,861	292	45,516
Loans and borrowings	14,727	8,075	-	22,802
Trade and other payables	3,270	282	345	3,897

As at 1 January 2021

	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Promissory note	235,901	-	-	235,901
Cash and deposits with banks and other financial institutions, net	67,205	42,637	-	109,842
Investment securities, net	54,570	6,406	-	60,976
Trade receivables, net	26,900	400	47	27,347
Other assets, net	1,338	1,555	3,631	6,524
Financing and advances, net	242	3,085	45	3,372
Customer deposits	42,431	729	95	43,255
Loans and borrowings	14,396	13,601	-	27,997
Trade and other payables	4,280	908	177	5,365

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***23. RELATED PARTY DISCLOSURES (continued)****23.1 Balances with related parties (continued)**

Outstanding balances at the year-end are balances related to transactions in the ordinary course of the Group's activities and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

23.2 Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties based on mutually agreed terms during the year:

<i>For the year ended 31 December 2022</i>				
	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Revenue	50,665	1,219	457	52,341
Cost of revenue	9,623	2,139	573	12,335
Other operating income	1,584	-	24	1,608
Other finance income	19	765	-	784
Administrative expenses	485	215	31	731
Other finance costs	292	211	-	503
Selling and distribution expenses	132	-	-	132

<i>For the year ended 31 December 2021</i>				
	<i>Government and government related entities</i>	<i>Associates</i>	<i>Joint ventures</i>	<i>Total</i>
Revenue	32,411	1,126	22	33,559
Cost of revenue	7,271	382	623	8,276
Other finance income	-	135	-	135
Other finance costs	206	122	-	328
Administrative expenses	62	43	-	105
Other operating income	-	18	30	48

Net impairment losses on balances with related parties recognized during the year was SAR 333 million (2021: 1,401 million).

23.3 Compensations to key management personnel

The remuneration of key management personnel includes short-term benefits amounting to SAR 137 million (2021: SAR 121 million) and post-employment benefits amounting to SAR 1 million (2021: SAR 1 million) included in the consolidated statement of profit or loss. Post-employment liability amounted to SAR 11 million (31 Dec 2021: 8 Million; 1 Jan 2021: SAR 6 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***24. NON-CONTROLLING INTEREST**

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI

24.1 Summarized statement of financial position and summarized statement of profit or loss**As at and for the year ended 31 December 2022**

	<i>SNB^(a)</i>	<i>stc</i>	<i>Ma'aden</i>	<i>Ayar Third^(b)</i>	<i>Taq</i>	<i>Al Akaria</i>	<i>Tadawul</i>	<i>Other individually Immaterial subsidiaries</i>
Proportion of ownership interests (and voting rights) held by NCI	62.43%	35.77%	32.82%	39.36%	46.00%	35.42%	40.00%	
Carrying value of NCI^(c)	108,240	28,817	25,762	16,496	3,994	1,718	1,272	2,274
Statement of financial position								
Non-current assets	545,341	76,287	80,452	13,098	5,729	7,158	712	
Current assets	400,155	60,851	31,134	18,420	5,548	1,695	6,979	
Assets held for sale	-	82	-	-	9	-	-	
Non-current liabilities	(54,525)	(24,794)	(42,584)	(6,358)	(1,564)	(3,392)	(80)	
Current liabilities	(724,193)	(36,400)	(12,963)	(3,536)	(1,225)	(767)	(4,431)	
Tier 1 Sukuk	(2,000)	-	-	-	-	-	-	
Non-controlling interest at subsidiary level	(14,292)	(2,526)	(10,971)	(16,496)	(159)	(86)	-	
Net assets attributable to equity owners	150,486	73,500	45,068	5,128	8,338	4,608	3,180	
Net assets attributable to NCI	108,240	28,817	25,762	16,496	3,994	1,718	1,272	2,274
Summarized statement of profit or loss								
Revenue	43,566	67,432	40,277	2,281	1,437	2,051	1,071	
Profit / (loss) for the year	18,729	12,387	12,129	(1,558)	1,472	145	425	
Other comprehensive income / (loss) (OCI)	(9,337)	644	180	(43)	(4)	(36)	23	
Total comprehensive income / (loss)	9,392	13,031	12,309	(1,601)	1,468	109	448	
Profit / (loss) allocated to NCI	11,748	4,570	5,868	(614)	823	74	170	(793)
Other comprehensive income (loss) allocated to NCI	(5,873)	214	105	(17)	0	(13)	9	(6)
Total comprehensive income / (loss) allocated to NCI	5,875	4,784	5,973	(631)	823	61	179	(799)
Dividend paid to NCI	5,621	3,137	225	-	(18)	-	108	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

24. NON-CONTROLLING INTEREST (continued)

24.1 Summarized statement of financial position and summarized statement of profit or loss (continued)

As at and for the year ended 31 December 2021

	<i>SNB^(a)</i>	<i>stc</i>	<i>Ma'aden</i>	<i>Ayar Third^(b)</i>	<i>Taqa</i>	<i>Al Akaria</i>	<i>Tadawul</i>	<i>Other individually Immaterial subsidiaries</i>
Proportion of ownership interests (and voting rights) held by NCI	62.41%	35.63%	32.82%	38.38%	54.21%	35.42%	30.00%	
Carrying value of NCI ^(c)	104,378	26,799	20,018	13,786	4,789	1,087	928	1,039
Summarized statement of financial position								
Non-current assets	478,162	76,311	81,899	7,911	7,792	6,141	639	
Current assets	431,842	51,468	21,439	24,401	2,570	1,639	2,905	
Assets held for sale	4,146	-	-	-	26	-	-	
Non-current liabilities	(21,930)	(22,815)	(46,579)	(13,509)	(1,720)	(1,704)	(97)	
Current liabilities	(725,562)	(33,578)	(12,790)	(12,315)	(1,607)	(3,078)	(354)	
Liabilities associated for assets held for sale	(3,888)	-	-	-	-	-	-	
Tier 1 Sukuk	(2,000)	-	-	-	-	-	-	
Non-controlling interest at subsidiary level	(10,759)	(2,115)	(8,317)	(13,786)	(2,099)	(38)	-	
Net assets attributable to equity owners	150,011	69,271	35,652	(7,298)	4,962	2,960	3,093	
Net assets attributable to NCI	104,378	26,799	20,018	6,315	4,789	1,087	928	1,039
Summarized statement of profit or loss								
Revenue	33,529	63,417	26,769	102	2,767	1,029	1,166	
Profit / (loss) for the year	12,784	11,595	6,481	(28,257)	(47)	81	588	
Other comprehensive income / (loss) (OCI)	(2,193)	417	167	-	19	82	(10)	
Total comprehensive income / (loss)	10,591	12,012	6,648	(28,257)	(28)	163	578	
Profit / (loss) allocated to NCI	7,789	3,663	2,969	(10,103)	7	45	9	(439)
Other comprehensive income (loss) allocated to NCI	(1,449)	134	83	-	15	29	(1)	(19)
Total comprehensive income / (loss) allocated to NCI	6,340	3,797	3,052	(10,103)	22	74	8	(458)
Dividend paid to NCI	4,075	3,259	-	-	18	8	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

24. NON-CONTROLLING INTEREST (continued)

24.1 Summarized statement of financial position and summarized statement of profit or loss (continued)

As at 1 January 2021

	<i>SNB^(a)</i>	<i>stc</i>	<i>Ma'aden</i>	<i>Ayar Third^(b)</i>	<i>Taq</i>	<i>Al Akaria</i>	<i>Other individually Immaterial subsidiaries</i>
Proportion of ownership interests (and voting rights) held by NCI	55.56%	29.90%	32.82%	14.72%	54.21%	35.42%	
Carrying value of NCI ^(c)	47,460	20,438	16,977	(344)	4,804	991	885

Summarized statement of financial position

As at 31 December

Non-current assets	296,841	76,113	81,804	4,684	7,521	6,753	
Current assets	302,602	45,859	14,933	2,485	2,945	779	
Assets held for sale	-	-	-	-	2,312	6	
Non-current liabilities	(31,918)	(23,814)	(49,303)	(588)	(2,070)	(1,915)	
Current liabilities	(487,310)	(32,891)	(10,134)	(8,994)	(1,676)	(2,772)	
Liabilities associated for assets held for sale	-	-	-	-	(1,904)	(12)	
Tier 1 Sukuk	(2,000)	-	-	-	-	-	
Non-controlling interest at subsidiary level	(9,005)	(1,321)	(7,048)	344	(2,052)	22	
Net assets attributable to equity owners	69,210	63,946	30,252	(2,069)	5,076	2,861	
Net assets attributable to NCI	47,460	20,438	16,977	(722)	4,804	991	885

24.2 Summarized statement of cash flows

For the year ended 31 December 2022

	<i>SNB^(a)</i>	<i>stc</i>	<i>Ma'aden</i>	<i>Ayar Third^(b)</i>	<i>Taq</i>	<i>Al Akaria</i>	<i>Tadawul</i>
Summarized statement of cash flows							
Net cash inflows (outflows) from operating activities	(2,510)	26,402	16,134	(7,843)	751	(175)	505
Net cash inflows (outflows) from investing activities	(28,550)	(9,042)	(11,480)	(14,476)	(6,209)	(1)	1,910
Net cash inflows (outflows) from financing activities	144	(7,840)	(6,483)	5,342	5,193	892	(372)
Net increase/(decrease) in cash and cash equivalents	(30,916)	9,520	(1,829)	(16,977)	(265)	716	2,043

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***24. NON-CONTROLLING INTEREST (continued)****24.2 Summarized statement of cash flows (continued)**

For the year ended 31 December 2021	<i>SNB^(a)</i>	<i>stc</i>	<i>Ma'aden</i>	<i>Ayar Third^(b)</i>	<i>Taqa</i>	<i>Al Akaria</i>	<i>Tadawul</i>
Summarized statement of cash flows							
Net cash inflows from operating activities	17,277	11,312	9,463	226	462	238	594
Net cash inflows (outflows) from investing activities	(503)	(2,103)	(3,816)	(3,378)	(846)	(97)	518
Net cash inflows (outflows) from financing activities	(6,100)	(9,939)	(1,800)	24,334	(476)	(211)	(1,133)
Net increase/(decrease) in cash and cash equivalents	10,674	(730)	3,847	21,182	(860)	(70)	(21)

SNB – Saudi National Bank (SNB)

stc – Saudi Telecom Company (stc)

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

Ayar Third – Ayar Third Investment Company

Taqa – Industrialization & Energy Services Company (Taqa)

Al Akaria – Saudi Real Estate Company (Al Akaria)

Tadawul – Saudi Tadawul Group Holding Co. (Tadawul)

- (a) Non-controlling interest as at 31 December 2022 includes Tier 1 Sukuk bonds issued by SNB for an amount of SAR 13.5 billion (as at 31 December 2021: SAR 10.2 billion; as at 1 January 2021: SAR 8.2 billion). During 2022, the Bank through a Shariah compliant arrangement ("the arrangement") issued additional cross border Tier 1 Sukuk (the "Sukuk"), amounting to SAR 3.3 billion (denominated in SAR) (2021: SAR 4.7 billion, denominated in US Dollars). During the same period, the Bank exercised the call option on its existing Tier 1 Sukuk amounting to SAR nil (2021: 2.7 billion). These arrangements were approved by the regulatory authorities and the Board of Directors of the Bank.
- (b) Ayar Third is a wholly owned subsidiary of the Group. Non-controlling interest of Ayar Third arises from its subsidiary Lucid Group Inc. as the Group (through Ayar Third) holds 60.64% shareholding of the subsidiary as of 31 December 2022 (as at 31 December 2021: 61.62%; as at 1 January 2021: 85.28%). Non-controlling interest in Lucid Group Inc. was measured at fair value on the date of acquisition.
- (c) Net assets attributable to NCI include non-controlling interest at subsidiary level.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS****Significant accounting policies that apply to employees' benefits*****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 labor 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 labor 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 labor downsizing and non-routine payments; and
- net interest cost or income.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS (continued)****Significant accounting policies that apply to employees' benefits (continued)****Football staff remuneration**

Remuneration of players and key football management staff is charged in accordance with the terms of the applicable contractual agreements and any discretionary bonus when there is a legal, contractual or constructive obligation.

Remuneration is charged to operating expenses on a straight-line basis over the contract periods based on the amount payable to players and key football management staff for that period. Any performance bonuses are recognized when the Group considers that it is probable that the condition related to the payment will be achieved.

Signing-on fees are typically paid to players and key football management staff in equal annual installments over the term of the contract. Installments are paid at or near the beginning of each financial year and recognized as prepayments. They are subsequently charged to profit or loss (as employee benefit expenses) on a straight-line basis over the financial year. Signing-on fees paid form part of cash flows from operating activities.

Loyalty fees are bonuses which are paid to players and key football management staff either at the beginning of a renewed contract or in installments over the term of their contract in recognition for either past or future performance. Loyalty bonuses for past service are typically paid in a lump sum amount upon renewal of a contract. These loyalty bonuses require no future service and are not subject to any claw-back provisions were the individual to subsequently leave the club during their new contract term. They are expensed once the Group has a present legal or constructive obligation to make the payment. Loyalty bonuses for ongoing service are typically paid in arrears in equal annual installments over the term of the contract. These are paid at the beginning of the next financial year and the related charge is recognized within employee benefit expenses in profit or loss on a straight-line basis over the current financial year.

25.1 Types of employees' benefits

	<i>As at</i> 31 December 2022	<i>As at</i> 31 December 2021	<i>As at</i> 1 January 2021
Defined benefit liability (note 25.2)	9,384	10,019	8,610
Employees' saving fund liability (note 25.3)	400	357	254
Others	130	88	71
	9,914	10,464	8,935
Disclosed as:			
Non-current	9,874	10,413	8,898
Current (included in trade and other payables, refer to note 30)	40	51	37
Total	9,914	10,464	8,935

25.2 Defined benefit plans

The Group provides for end of service benefits plan to its employees taking into consideration the local labor 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 Labor 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS (continued)****25.2 Defined benefit plans (continued)****(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 Labor 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 2022 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 realizable receivable from the pension plan and a liability does not indicate a funding requirement to the pension plan in the short term. The valuation measure indicates a point in time view of the fair value of the plan's assets less a discounted measure of the plan's future obligations over a duration of 19 years.

As at 31 December 2022, the plan assets comprised a 19.10% (as at 31 December 2021: 32.60%; as at 1 January 2021: 37.00%) 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.

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

The movements in the net defined benefits liability (present value of defined benefits obligations and fair value of plan assets) recognized in the consolidated statement of financial position are as follows:

	<i>For the year ended 31 December 2022</i>		
	<i>Defined benefit liability</i>	<i>Fair value of plan assets</i>	<i>Net defined benefit liability</i>
As at 1 January	10,954	935	10,019
<i>Included in consolidated statement of profit or loss</i>			
Current service cost	1,284	-	1,284
Net interest expense / income	256	15	241
Others	3	-	3
<i>Total amount included in consolidated statement of profit or loss</i>	1,543	15	1,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS (continued)****25.2 Defined benefit plans (continued)****(c) Changes in the present value of net defined benefit liability (continued)**

	<i>For the year ended 31 December 2022</i>		
	<i>Defined benefit liability</i>	<i>Fair value of plan assets</i>	<i>Net defined benefit liability</i>
<i>Included in other comprehensive income</i>			
<i>Actuarial gain or loss arising from:</i>			
Changes in demographic assumptions	(178)	-	(178)
Changes in financial assumptions	(1,335)	-	(1,335)
Experience adjustments	270	-	270
Return on plan assets (excluding amounts included in net interest expense / income)	-	(193)	193
<i>Total amount included in other comprehensive income</i>	(1,243)	(193)	(1,050)
<i>Other movements</i>			
End of service benefits paid	(952)	(22)	(930)
Contributions paid by the employer	-	33	(33)
Related to discontinued operations	(373)	-	(373)
Acquired through business combination	200	-	200
Foreign currency exchange difference and others	(96)	(119)	23
<i>Total other movements</i>	(1,221)	(108)	(1,113)
<i>At 31 December</i>	10,033	649	9,384

	<i>For the year ended 31 December 2021</i>		
	<i>Defined benefit liability</i>	<i>Fair value of plan assets</i>	<i>Net defined benefit liability</i>
As at 1 January	9,442	832	8,610
<i>Included in consolidated statement of profit or loss</i>			
Current service cost	1,239	-	1,239
Net interest expense / income	211	11	200
Others	(1)	-	(1)
<i>Total amount included in consolidated statement of profit or loss</i>	1,449	11	1,438
<i>Included in other comprehensive income</i>			
<i>Actuarial gain or loss arising from:</i>			
Changes in demographic assumptions	(89)	-	(89)
Changes in financial assumptions	(394)	-	(394)
Experience adjustments	193	-	193
Return on plan assets (excluding amounts included in net interest expense / income)	-	100	(100)
<i>Total amount included in other comprehensive income</i>	(290)	100	(390)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS (continued)****25.2 Defined benefit plans (continued)****(c) Changes in the present value of net defined benefit liability (continued)**

	<i>For the year ended 31 December 2021</i>		
	<i>Defined benefit liability</i>	<i>Fair value of plan assets</i>	<i>Net defined benefit liability</i>
Other movements			
End of service benefits paid	(777)	(23)	(754)
Contributions paid by the employer	-	1	(1)
Acquired through business combination	837	-	837
Foreign currency exchange difference and others	293	14	279
Total other movements	353	(8)	361
At 31 December	10,954	935	10,019

Plan assets comprise the following:

	<i>As at 31 December 2022</i>	<i>As at 31 December 2021</i>	<i>As at 1 January 2021</i>
Investment funds	302	449	397
Equity instruments	124	302	311
Real estate	122	98	51
Debt/Sukuk instruments	-	60	60
Balance and deposits with banks	101	26	13
Total	649	935	832

(d) Key actuarial assumptions

The Group's plans are exposed to actuarial risks such as changes in discount rate and salaries of plan participants.

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 1 January and 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 2.65% to 6.00% (as at 31 December 2021: 1.90% to 6.00%; as at 1 January 2021: from 1.00% to 8.00%) per annum and a discount rate of 2.65% to 6.00% (as at 31 December 2021: 2.00% to 4.00%; as at 1 January 2021: 2.00% to 3.40%) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***25. EMPLOYEES' BENEFITS (continued)****25.2 Defined benefit plans (continued)****(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:

	<i>Incremental impact on defined benefit obligations</i>			
	<i>2022</i>		<i>2021</i>	
	<i>1% Increase</i>	<i>1% Decrease</i>	<i>1% Increase</i>	<i>1% Decrease</i>
Discount rate	(905)	956	(624)	1,277
Salary rate	960	(895)	1,302	(644)

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	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
within 1 year	445	388	404
between 1 year to 2 years	536	378	372
between 2 to 3 years	509	380	390
between 3 to 4 years	508	374	429
between 4 to 5 years	537	426	501
beyond 5 years	15,535	12,961	9,729
Total	18,070	14,907	11,825

Based on the assumptions cash outflows are estimated for the Group's employees as a whole giving the total payments expected over the future years, which are discounted to arrive at the closing obligation. The weighted average duration of the employees' end of service termination benefits obligation for the subsidiaries within the Group range between 3 years and 19 years (2021: 3 years and 19 years).

25.3 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***26. PROVISIONS****Significant accounting policies that apply to 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.

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.

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).

Provision for compensation due to expropriation

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

26. PROVISIONS (continued)

**Significant accounting policies that apply to provisions (continued)*****Provision for decommissioning, site rehabilitation and dismantling obligations (continued)******(a) Mining operations (continued)***

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.

(b) Others

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

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***26. PROVISIONS (continued)****26.1 Movement of provisions during the year**

<i>For the year ended 31 December 2022</i>				
	<i>Legal and regulatory provisions</i>	<i>Decommissioning, site rehabilitation and dismantling obligations</i>	<i>Provision for other liabilities and charges</i>	<i>Total</i>
As at 1 January	5,496	900	7,340	13,736
Current year provision (reversal), net	(865)	(98)	3,748	2,785
Adjustments resulting from remeasurement and others	(68)	89	15	36
Net increase/decrease in provision	(933)	(9)	3,763	2,821
Settlement during the year	(403)	-	(2,069)	(2,472)
At 31 December	4,160	891	9,034	14,085
<i>Disclosed as:</i>				
Non-current	1,724	784	2,199	4,707
Current	2,436	107	6,835	9,378
Total	4,160	891	9,034	14,085
<i>For the year ended 31 December 2021</i>				
	<i>Legal and regulatory provisions</i>	<i>Decommissioning, site rehabilitation and dismantling obligations</i>	<i>Provision for other liabilities and charges</i>	<i>Total</i>
As at 1 January	4,905	736	2,965	8,606
Current year provision	294	265	4,940	5,499
Adjustments resulting from remeasurement and others	491	(101)	(54)	336
Net increase/decrease in provision	785	164	4,886	5,835
Settlement during the year	(194)	-	(511)	(705)
At 31 December	5,496	900	7,340	13,736
<i>Disclosed as:</i>				
Non-current	1,826	834	1,317	3,977
Current	3,670	66	6,023	9,759
Total	5,496	900	7,340	13,736

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***26. PROVISIONS (continued)****26.2 Legal and regulatory provisions**

The Group is party to number of legal and regulatory claims in the ordinary course of business. The Group, after taking independent legal advice, has established provisions based on the best estimates of the amounts required to settle these claims after considering 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.

26.3 Decommissioning, site rehabilitation and dismantling obligations

Provisions for decommissioning, site rehabilitation and dismantling obligations 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 consider 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.

26.4 Provision for other liabilities and charges

Below is the breakdown of other liabilities and charges:

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Provision for compensation due to expropriation ^(a)	6,623	4,709	-
Legacy claims ^(b)	1,079	1,317	1,442
Other liabilities ^(c)	1,109	1,042	1,265
Total	8,811	7,068	2,707

* Others mainly include onerous contracts, mining related severance fees, provisions for infrastructure projects and warrant liability.

- (a) A high order assigned a government agency ("Expropriator") to carry out all expropriation activities in relation to Group projects and include required provisions within the Expropriator budget. For specified land areas of some of the Group projects, the Government directed the Group to bear the expropriation compensation, which include lands previously transferred to the Group without consideration or to be transferred to the Group in future. While all other expropriation activities are performed by the Expropriator, such as, obtaining legal permission to visit the private properties, identification of inventory eligible for compensation, verification of ownership documents, determining areas not eligible for compensation, determination of compensation due to expropriation, etc. The Group relies on the Government assigned Expropriator, to provide reliable estimate for the expropriation compensation cost. Accordingly, for the year ended 31 December 2022, the Group has recorded an expropriation compensation provision of SAR 7,089 million (2021: SAR 4,709 million) based on the expropriator's assessment. During the same period an amount of SAR 5,175 million was paid (2021: nil). For other land areas identified for expropriation, where no reliable estimate is available from the Expropriator, the Group has not recorded a provision for compensation due to expropriation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***26. PROVISIONS (continued)****26.4 Provision for other liabilities and charges (continued)**

- (b) The Group is liable to settle certain legacy claims pertaining to a project for one of its subsidiaries. As at 31 December 2022, the value of outstanding claims amounted to SAR 3,570 million (as at 31 December 2021: SAR 4,750 million; as at 1 January 2021: SAR 5,090 million). Such claims are being regularly assessed by the management of respective subsidiary and based on management's best estimate, a provision of SAR 1,079 million has been recognized in the statement of financial position as at 31 December 2022 (as at 31 December 2021: SAR 1,317 million; as at 1 January 2021: SAR 1,442 million). The settlement of such claims is dependent on various factors including availability of information from contractors, court determination, etc. which may lead to possible settlements exceeding 12 months from the reporting date.

27. LOANS AND BORROWINGS

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Banking operations (note 27.1)	196,003	150,645	100,425
Non-banking operations (note 27.2)	125,770	98,696	96,208
Total borrowings	321,773	249,341	196,633
<i>Disclosed as:</i>			
Non-current	177,532	114,271	118,755
Current	144,241	135,070	77,878
Total	321,773	249,341	196,633

27.1 Banking operations

		<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>Notes</i>	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Debt issued and borrowed funds	(a)	41,438	27,858	22,064
Due to banks and other financial institutions	(b)	154,565	122,787	78,361
Total loans and borrowings from banking operations		196,003	150,645	100,425
<i>Disclosed as:</i>				
Non-current		58,509	24,814	30,060
Current		137,494	125,831	70,365
Total		196,003	150,645	100,425

(a) Debt issued and borrowed funds

Term loans from banks and financial institutions (i)	14,115	12,142	13,580
Bonds (ii)	2,358	3,895	5,953
Sukuk payable (iii)	24,965	11,821	2,531
	41,438	27,858	22,064

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

	2022	2021
As at 1 January	27,858	22,064
Additions/drawdowns	30,209	16,089
Repayments	(18,395)	(15,307)
Additions arising from business acquisition	-	5,825
Foreign exchange fluctuations and others *	1,766	(813)
At 31 December	41,438	27,858

* Others include the impact of Samba Pakistan reclassification from assets classified as held for sale (refer to [note 21](#)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

27. LOANS AND BORROWINGS (continued)**27.1 Banking operations (continued)****(a) Debt issued and borrowed funds (continued)**

The key features of the debt securities issued are as follows:

Particular	Tenor	Issue date	Interest rate	Approved facility	Repayment details	31 December 2022	31 December 2021	1 January 2021
(i) Term loans from banks and financial institutions								
Conventional Loans (US \$)	3 – 10 years	2017 – 2022	carrying interest at fixed rate and floating rate	8,733	Bullet repayment at maturity	8,733	6,049	5,805
Conventional Loans (SAR)	3 – 5 years	2020 – 2021	carrying interest at fixed rate and floating rate	3,070	Bullet repayment at maturity	2,878	3,070	396
Short-term loans (SAR)	Up till 3 months	2020 – 2021	agreed rates with banks	-	Bullet repayment at maturity	-	425	3,645
Islamic loans (SAR)	3 years	2021 – 2022	carrying profit at floating rate	2,756	Bullet repayment at maturity	1,529	1,623	2,756
Islamic loans (US \$)	5 years	2020	carrying profit at floating rate	975	Bullet repayment at maturity	975	975	978
(ii) Bonds issued								
Bonds (SAR)	2 – 5 years	2019 – 2020	carrying profit at floating rate	150	Bullet repayment at maturity	150	150	1,903
Bonds (US \$)	5 – 7 years	2017 – 2020	carrying profit at floating rate	2,208	Bullet repayment at maturity	2,208	3,745	4,050
(iii) Sukuk issued								
Sukuk (Turkish Lira)	6 – 12 months	2022	carrying profit at fixed rate	114	Bullet repayment at maturity	114	276	1,773
Sukuk (US \$)	1 – 5 years	2019 – 2022	carrying profit at fixed rate	11,672	Bullet repayment at maturity	11,672	5,835	-
Sukuk (SAR)	1 year	2022	carrying profit at fixed rate	1,201	Bullet repayment at maturity	1,201	-	-
Sukuk (SAR)	5 – 10 years	2018 – 2021	carrying profit at fixed rate	13,750	Bullet repayment at maturity	11,978	5,710	758
Total						41,438	27,858	22,064

As at 31 December 2022, Sukuk issued amounting to SAR 13,750 million (as at 31 December 2021: SAR 6,000 million; as at 1 January 2021: SAR nil) were guaranteed by Government.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***27. LOANS AND BORROWINGS (continued)****27.1 Banking operations (continued)**

<i>(b) Due to banks and other financial institutions</i>	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Current accounts	4,794	9,431	4,609
Money market deposits (i)	87,191	75,656	50,541
Repos (ii)	62,580	37,700	23,211
Total	154,565	122,787	78,361

(i) Money market deposits

Due to banks and other financial institutions includes money market deposits with fixed or determinable payments that are not quoted in an active market.

(ii) Repos

Repo transactions are treated as collateralized borrowing and counter-party liability for amounts received under these agreements is included in "Due to banks and other financial institutions". The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repo agreement on an effective interest rate. Repo transactions are conducted under the terms that are usually based on the applicable GMRA (Global Master Repurchase Agreement) collateral guidelines. Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets continue to be measured in accordance with related accounting policies for investments held at FVTPL, held at FVOCI and investments held at amortized cost. The securities pledged under agreement to repurchase (repo) are disclosed in note 27.3 'Securities and collaterals' below.

27.2 Non-banking operations

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Bank borrowings (i)	86,818	65,269	72,105
Loans from government and government related entities (ii)	13,290	14,727	13,819
Bonds and Sukuk payable (iii)	9,333	9,474	10,073
Green Bonds (iv)	10,868	-	-
Convertible notes (v)	3,905	7,444	-
Bank overdraft	1,556	1,782	211
Total	125,770	98,696	96,208
<i>Disclosed as:</i>			
Non-current	119,023	89,457	88,695
Current	6,747	9,239	7,513
Total	125,770	98,696	96,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

27. LOANS AND BORROWINGS (continued)**27.2 Non-banking operations (continued)**

Particular	Tenor	Issue date	Interest rate	Approved facility	Repayment details	31 December 2022	31 December 2021	1 January 2021
(i) Bank borrowings								
Conventional Loans (US \$)	1 – 7 years	2019 – 2022	floating rate	64,236	Semiannually – in tranches	64,236	41,893	43,689
Conventional Loans (SAR)	15 years	2021	floating rate	8,715	Bullet repayment at maturity	1,975	31	-
Conventional Loans (other currencies*)	1 – 20 years	2019 – 2022	fixed and floating rates	307	Bullet/installment repayments	307	243	115
Islamic loans (SAR)	1 – 13 years	2015 – 2022	floating rates	27,178	Bullet/installment repayments	16,557	17,734	22,764
Islamic loans (US \$)	2 – 8 years	2017 – 2021	fixed and floating rates	2,786	Semi-annually	2,145	3,929	3,446
Islamic loans (other currencies*)	5 – 7 years	2018 – 2022	fixed and floating rates	2,046	Bullet/installment repayments	1,598	1,439	2,091
(ii) Loans from government and government related entities								
in (SAR)	1 – 12 years	2012 – 2021	fixed and floating rates	10,228	Annually and semi-annually	7,216	8,127	7,219
in (US \$)	15 years	2020	floating rates	6,600	Semi-annually	6,074	6,600	6,600
(iii) Bonds and Sukuk								
in (SAR)	7 – 10 years	2014 – 2018	floating rates	5,195	Bullet repayment at maturity	4,657	4,801	5,401
in (US \$)	10 years	2019	fixed rate	4,675	Bullet repayment at maturity	4,675	4,673	4,672
(iv) Green bonds ^(a)								
Green bonds	5 – 100 years	2022	fixed rates	11,250	Bullet repayment at maturity	10,868	-	-
(iv) Convertible notes ^(b)								
Convertible notes	5 years	2021	fixed rate	7,547	Maturity date Dec 2026	3,906	7,444	-
Bank overdraft and others		2021 – 2022	fixed and floating rates	3,056	No fixed term of repayment	1,556	1,782	211
Total						125,770	98,696	96,208

* Other currencies include Euro, GBP, Bahraini dinar, Kuwaiti dinar, Malaysian ringgit, Canadian dollar, and Emirates dirham.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***27. LOANS AND BORROWINGS (continued)****27.2 Non-banking operations (continued)**

The movement in borrowings during the year for non-banking operations is as follows:

	2022	2021
As at 1 January	98,696	96,208
Additions/drawdowns ^(*)	130,266	17,452
Repayments/ settlements ^(*)	(97,017)	(10,333)
Acquired through business combination	206	-
Related to discontinued operations	(1,928)	-
Foreign exchange fluctuations and others ^(**)	(4,453)	(4,631)
At 31 December	125,770	98,696

* Repayments Include non-cash additions/drawdowns amounted to SAR 42,119 million (2021: SAR nil) and settlements include non-cash settlements amounted to SAR 41,250 million (2021: SAR nil). The non-cash additions/settlements represent mainly a renewal of a loan facility with a consortium of financial institutions.

** Others include fair value adjustment and amortization of discount of convertible note amounted to SAR 3,538 million (refer to (b) below).

(a) Green Bonds

During the year ended 31 December 2022, the Group through one of its subsidiaries, has issued senior unsecured green bonds under the Guaranteed Euro Medium Term Note program, with an aggregate amount of SAR 11,250 million (equivalent to US\$ 3,000 million) consisting of three tranches. The first tranche has a face value amounting to SAR 4,687 million (equivalent to US\$ 1,250 million) with a coupon rate of 5% with five-year maturity due on 13 October 2027. The second tranche has a face value amounting to SAR 4,687 million (equivalent to US\$ 1,250 million) with a coupon rate of 5.25% with ten-year maturity due on 13 October 2032. The third tranche has a face value amounting to SAR 1,875 million (equivalent to US\$ 500 million) with a coupon rate of 5.375% with hundred-year maturity due on 13 October 2122.

(b) Convertible notes ("2026 notes")

In December 2021, one of the Group's subsidiaries issued an aggregate of SAR 7.54 billion (equivalent to US \$2.01 billion) principal amount of 1.25% convertible unsecured senior notes due in December 2026, in a private offering to qualified institutional buyers pursuant to local statutory regulations at an issuance price equal to 99.5% of the principal amount of 2026 Notes. The 2026 Notes have been designated as green bonds, whose proceeds will be allocated in accordance with the respective subsidiary's green bond framework. The net proceeds from the issuance of the 2026 Notes were amounting to SAR 7.45 billion (equivalent to US \$1.98 billion), net of debt discounts and issuance costs. The 2026 Notes were issued pursuant to and are governed by an indenture dated 14 December 2021, between the respective subsidiary and U.S. Bank National Association as the trustee.

The Convertible notes are classified as a financial liability. An embedded derivative for the Conversion Feature was identified. Therefore, the Convertible notes represented a hybrid contract with a host liability and an embedded derivative. The Group has designated the Convertible notes hybrid contract at fair value through profit or loss. Fair value adjustments resulting from changes in own credit risk are recognized in other comprehensive income.

The following is a summary of the 2026 Notes (in millions) as at:

	31 December 2022	31 December 2021
Principle amount	7,540	7,540
Unamortized debt discounts and Issuance costs	78	96
Fair value as at	3,906	7,444

The 2026 Notes were not eligible for conversion as of December 31, 2021. No sinking fund is provided for the 2026 Notes, which means that the Group is not required to redeem or retire them periodically.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***27. LOANS AND BORROWINGS (continued)****27.3 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 (as at):

	<i>31 December 2022</i>		<i>31 December 2021</i>		<i>1 January 2021</i>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
Held at FVOCI	22,278	22,278	22,180	22,180	19,513	19,513
Held at amortized cost	40,954	39,797	19,430	21,291	5,921	6,292
Total	63,232	62,075	41,610	43,471	25,434	25,805

- (b) Margin deposit of SAR 1,666 million as at 31 December 2022 (31 December 2021: SAR 2,203 million; 1 January 2021: 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 20,561 million as at 31 December 2022 (31 December 2021: SAR 21,562 million; 1 January 2021: 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 as at 31 December 2022 of SAR 7,541 million (31 December 2021: SAR 7,166 million; 1 January 2021: SAR 6,178 million) are pledged as security to lenders (long-term borrowings) under the Common Terms Financing Agreement.
- (e) Investment properties with a carrying value as at 31 December 2022 of SAR 4,286 million (31 December 2021: SAR 2,000 million; 1 January 2021: SAR 2,000 million). The long-term Islamic loan granted to the Group is secured by the Group's collateralized land.
- (f) Certain Islamic financing are secured principally by the assignment of certain trade receivables.

27.4 Covenants and conditions

The covenants and conditions of the borrowing facilities require the Group to maintain certain level of financial covenants and other related requirements.

As at 31 December 2021, a subsidiary of the Group was not in compliance with certain of its loan covenants related to maintenance of certain financial ratios as per the loan agreements with the lender. However, the subsidiary had obtained exemptions from the lender in respect of such non-compliances. Accordingly, these non-compliances have no impact on the consolidated financial position of the Group.

A future breach of covenants may lead to renegotiation. The covenants are monitored on a quarterly basis by the Group. In case of potential breach, actions are taken by management to ensure compliance. As at 31 December 2021, there was no non-compliance for any of the covenants other than mention above.

During the year ended 31 December 2022, the respective subsidiary complied with all covenants in accordance with the terms of the loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

28. LEASE LIABILITIES



Significant accounting policies that apply to lease liabilities

The accounting policy for lease liabilities is covered within significant accounting policies that apply to leases (refer to [note 9](#)).

28.1 Group as a lessee

(a) The movement in the lease liabilities during the year ended 31 December

	2022	2021
As at 1 January	10,619	9,030
Additions during the year	3,973	3,529
Payments	(2,935)	(2,333)
Interest accrued	490	438
Remeasurements	138	164
Disposals	(188)	(306)
Translation differences and other adjustments	(487)	97
At 31 December	11,610	10,619

	<i>As at</i> 31 December 2022	<i>As at</i> 31 December 2021	<i>As at</i> 1 January 2021
Disclosed as:			
Non-current	8,959	8,151	7,375
Current	2,651	2,468	1,655
Total	11,610	10,619	9,030

(b) Total cash outflows for leases during the year ended 31 December

	2022	2021
Cash payment for the principal portion of the lease liability	2,504	1,965
Cash payment for the interest portion of the lease liability	431	368
Cash payment for the short term, low-value leases and variable lease payments not included in the measurement of the lease liability	364	664
	3,299	2,997

(c) Amounts recognized in the consolidated statement of profit or loss for the year ended 31 December

	2022	2021
Depreciation expense of right-of-use assets	2,442	1,983
Impairment expense of right-of-use assets	22	42
Interest expense on lease liabilities	490	438
Expenses relating to short-term leases and variable lease payments	870	791
Net amounts recognized in consolidated statement of profit or loss	3,824	3,254

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***28. LEASE LIABILITIES (continued)****28.1 Group as a lessee (continued)****(d) Undiscounted maturity profile of lease liabilities**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Less than three months	259	373	346
Between three months and 12 months	2,716	2,137	2,078
Between 1 year and five years	6,695	5,460	6,874
Above five years	5,460	4,749	5,401
	15,130	12,719	14,699

(e) Inputs used to measure lease liability

<i>Details</i>	<i>2022</i>	<i>2021</i>
Range of discount rate	1% to 17.4%	1% to 17.4%
Years of maturity (i)	1 to 77 years	1 to 78 years

(i) The lower end of the range will be the earliest maturing leases and the higher end will be the last maturing lease

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Extension and termination options are included to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor.

(f) Short-term leases and leases of low-value assets:

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

28.2 Group as a lessor – Operating lease contracts

Primary items of assets subject to an operating lease as at 31 December 2022 include land and building classified within Investment Properties amounting to SAR 12,874 million (as at 31 December 2021: SAR 3,410 million; as at 1 January 2021: SAR 2,723 million). Lease income amounting to SAR 985 million (2021: SAR 427 million) has been recognized in the consolidated statement of profit or loss.

Lease payments for some contracts include price escalation, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group obtains refundable security deposits for the term of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***28. LEASE LIABILITIES (continued)****28.2 Group as a lessor – Operating lease contracts (continued)***Maturity analysis of undiscounted lease receivables:*

	<i>Minimum lease receivable</i>		
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Less than 1 year	846	453	362
1 to 2 years	664	97	112
2 to 3 years	543	58	82
3 to 4 years	336	29	48
4 to 5 years	280	22	20
Above 5 years	1,025	119	28
	3,694	778	652

29. DEFERRED GOVERNMENT GRANTS**Significant accounting policies that apply to government grants*****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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

29. DEFERRED GOVERNMENT GRANTS (continued)



Significant accounting policies that apply to government grants (continued)

Accounting for Government grants (continued)

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.

Land transferred from the Government

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

Transaction costs are directly attributable expenditure that includes, for example, professional fees for legal services, property transfer taxes, if any, expropriation costs and other transaction costs.

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.

29.1 Movement of deferred government grants during the year

	2022	2021
As at 1 January	3,954	3,978
Received during the year	3,272	2,114
Released to the consolidated statement of profit or loss	(1,719)	(2,138)
Others	(388)	-
At 31 December	5,119	3,954

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Disclosed as:			
Non-current	5,102	3,373	3,947
Current (included in trade and other payables, refer to note 30)	17	581	31
Total	5,119	3,954	3,978

29.2 Other disclosures related to government grants

The details of the deferred government grants are as follows:

- (a) Deferred government grants include grants amounting to SAR 3,723 million as at 31 December 2022 (as at 31 December 2021: SAR 3,733 million; as at 1 January 2021: SAR 3,772 million). These grants are provided by Communications, Space and Technology Commission ("CST") (formerly known 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***29. DEFERRED GOVERNMENT GRANTS (continued)****29.2 Other disclosures related to government grants (continued)**

- (b) During the year ended 31 December 2022, one of the Group's subsidiary has recognized SAR 1,579 million (2021: SAR 1,923 million) as government grant income on account of balancing fund plan to fund its operational losses. In this respect, during the year ended 31 December 2022, the Group collected SAR 1,299 million (2021: SAR 1,528 million). Management believes the remaining amount recognized during the year to be recoverable. This grant is directly credited in the consolidated statement of profit or loss.
- (c) There are no unfulfilled conditions or contingencies attached to these grants.

30. TRADE AND OTHER PAYABLES**Significant accounting policies that apply to trade and other payables**

The accounting policy for trade and other payables that meet the definition of a financial liability is covered within significant accounting policies that apply to the overall financial statements (refer to [note 3](#)). Below are the accounting policies for some categories of liabilities within this note.

Contract balances arising from contracts with customers

- 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).

Service concession liabilities

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.

Liabilities arising from rights of return

- 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***30. TRADE AND OTHER PAYABLES (continued)****30.1 Financial Liabilities**

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Accrued expenses and accounts payables (non-trade)	41,558	28,682	26,529
Trade payables	29,266	22,155	18,108
Payables for projects	10,004	8,986	11,073
Staff-related payables	8,300	6,103	4,136
Capital supplier dues and retentions	4,942	3,749	3,650
Clearing participant financial liabilities	3,373	18	-
Temporary SADAD accounts – Banking Operations	2,592	2,201	2,400
Government payables	2,355	2,617	4,208
Customers' deposits in trust accounts	1,781	1,151	360
Dividend payable	1,253	1,435	760
Accrued government fees	1,199	1,171	1,086
POS and credit card payable – Banking Operations	1,037	2,251	1,302
Margin call payable – Banking Operations	646	1,722	620
Customer refundable deposits	417	1,304	73
Other financial liabilities	11,227	6,212	3,573
Sub-total (A)	119,950	89,757	77,878

30.2 Non-Financial Liabilities

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Contract liabilities (note 30.3)	19,400	19,544	11,945
Allowance for indirect facilities- Banking and Financing Operations	4,447	4,471	338
Service concession liabilities	1,262	1,584	1,059
VAT payables	338	294	183
Other non-financial liabilities	1,324	1,796	137
Sub-total (B)	26,771	27,689	13,662
Total trade and other payables (A + B)	146,721	117,446	91,540
Disclosed as:			
Non-current	12,621	7,140	11,207
Current	134,100	110,306	80,333
Total	146,721	117,446	91,540

The current portion of employee benefits is included within other financial liabilities and the current portion of deferred government grants is included within other non-financial liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***30. TRADE AND OTHER PAYABLES (continued)****30.3 Contract liabilities:**

Contract liabilities comprises of deferred revenue, advances from customers, rebate payable to customers and customers' loyalty programs.

Significant changes in contract liabilities during the year:

	<i>2022</i>	<i>2021</i>
As at 1 January	19,544	11,945
Additions during the year	31,028	21,297
Changes due to business combinations	(4,853)	1,249
Recognized as revenue	(26,313)	(14,902)
Other movements	(6)	(45)
At 31 December	19,400	19,544

31. CUSTOMER DEPOSITS

Customers' deposits represent the payables arising from the Banking Operations of the Group. Customers' deposits are initially recognized at fair value less transaction costs. Subsequently, they are measured at amortized cost. Based on the nature of customers' deposits in Banking Operations and their contractual maturities, the majority of such deposits are on demand. Accordingly, they are classified as current liabilities in the consolidated financial position.

31.1 The details of customer deposits

<i>As at 31 December 2022</i>			
	<i>Islamic</i>	<i>Conventional</i>	<i>Total</i>
Current accounts	371,506	47,724	419,230
Time	43,518	119,451	162,969
Savings	352	-	352
Others	14,778	9,673	24,451
	430,154	176,848	607,002
<i>Disclosed as:</i>			
Non-current			1,976
Current			605,026
Total			607,002

<i>As at 31 December 2021</i>			
	<i>Islamic</i>	<i>Conventional</i>	<i>Total</i>
Current accounts	426,936	37,856	464,792
Time	67,370	48,514	115,884
Savings	418	-	418
Others	15,350	6,937	22,287
	510,074	93,307	603,381
<i>Disclosed as:</i>			
Non-current			1,914
Current			601,467
Total			603,381

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***31. CUSTOMER DEPOSITS (continued)****31.1 The details of customer deposits (continued)**

	<i>As at 1 January 2021</i>		
	<i>Islamic</i>	<i>Conventional</i>	<i>Total</i>
Current accounts	310,857	33,443	344,300
Time	56,020	30,217	86,237
Savings	733	899	1,632
Others	11,582	3,472	15,054
	379,192	68,031	447,223
<i>Disclosed as:</i>			
Non-current			1,801
Current			445,422
Total			447,223

31.2 Segment-wise breakdown of customer deposits is as follows:**(a) Geographical segment**

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Kingdom of Saudi Arabia	534,127	544,974	387,429
Other countries	60,779	6,104	55,531
Other Gulf Cooperation Countries	12,096	52,303	4,263
	607,002	603,381	447,223

(b) Business segment

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Retail	334,367	282,931	242,736
Corporate	203,388	249,100	126,035
Government	43,100	43,363	42,431
Others	26,147	27,987	36,021
	607,002	603,381	447,223

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

	<i>As at</i> <i>31 December 2022</i>	<i>As at</i> <i>31 December 2021</i>	<i>As at</i> <i>1 January 2021</i>
Time	104,791	63,246	47,481
Current accounts	42,857	62,375	43,132
Savings	29	36	103
Others	4,012	710	22
	151,689	126,367	90,738

The above includes Islamic deposits amounting to SAR 81,530 million (as at 31 December 2021: SAR 69,031 million; as at 1 January 2021: SAR 49,357 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***31. CUSTOMER DEPOSITS (continued)****31.4 Deposits held as collateral for irrevocable commitments and contingencies:**

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Letters of guarantee	1,051	9,621	4,196
Export letters of credit	55	875	769
Import letters of credit	5,668	66	30
	6,774	10,562	4,995

32. REVENUE**Significant accounting policies that apply to revenue**

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)

**Significant accounting policies that apply to revenue (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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)

**Significant accounting policies that apply to revenue (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.

Revenue recognition

Revenue is recognized based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. Revenue is recognized, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer (buyer) control over the promised goods and services, either:

- at a point in time or
- over a time basis equivalent to the stage of completion of the service.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The timing of revenues recognition is either at a point in time or over time depending upon the satisfaction of the performance obligation by transferring control of goods or services to the customer.

When there is a high degree of uncertainty about the possibility of collection from certain customers, the Group recognizes revenue only upon collection.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)

**Significant accounting policies that apply to revenue (continued)**

The significant revenue earned by the Group are from the following goods and services:

(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 recognizing 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 recognizing 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)

**Significant accounting policies that apply to revenue (continued)****(c) Sale of alumina, primary aluminum products and flat rolled products**

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

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

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

- **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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)



Significant accounting policies that apply to revenue (continued)

(e) Banking and Financing operations

■ Special commission income (interest) 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.

Special commission income and special commission expense for non-banking and financing operation are presented as other finance income (refer to [note 38](#)) and other finance costs (refer to [note 37](#)), respectively.

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)



Significant accounting policies that apply to revenue (continued)

(e) *Banking and Financing operations (continued)*■ *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 ratably 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 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 consolidated financial statements.

(f) *Revenue from real estate operations:*■ *Rental income*

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)



Significant accounting policies that apply to revenue (continued)

(f) *Revenue from real estate operations: (continued)*▪ *Rental income (continued)*

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

▪ *Service charges, management charges and other expenses recoverable from tenants*

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of the related costs, as the directors consider that the Group acts as principal in this respect.

(g) *Revenue from other industries:*▪ *Trading commission income*

Trading commission income is recognized at the trade date to which the transaction pertains when the obligation to provide trade services has been fulfilled.

▪ *Listing and registry fees*

These fees are recorded on straight line basis over the period these pertain to.

▪ *Drilling services*

Revenue for drilling services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

▪ *Rig move services*

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customer upon acknowledgement of the receipt of services.

▪ *Mobilization revenue and cost*

Mobilization revenue represents fee for initial mobilization of new rigs while mobilization cost represents the related costs incurred. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenue and mobilization cost are recognized as contract liabilities and contract assets, respectively, and are amortized over the term of the respective contracts with customers for drilling services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

32. REVENUE (continued)



Significant accounting policies that apply to revenue (continued)

(g) Revenue from other industries: (continued)

▪ Vehicle sales

Vehicle sales revenue is generated from the sale of electric vehicles to customers. There are two performance obligations identified in vehicle sale arrangements. These are the vehicle including an on-board advanced driver assistance system (ADAS), and the right to unspecified over-the-air (OTA) software updates to be provided as and when available over the term of the basic vehicle warranty, which is generally 4 years. Shipping and handling provided by the Group is considered a fulfillment activity.

Payment is typically received at or prior to the transfer of control of the vehicle to the customer. Generally, control transfers to the customer at the deemed delivery when the customer takes physical possession of the vehicle. The Group's vehicle contracts do not contain a significant financing component.

The Group recognizes revenue related to the vehicle when the customer obtains control of the vehicle which occurs at a point in time either upon completion of delivery to the agreed upon delivery location or upon pick up of the vehicle by the customer. As the unspecified OTA software updates are provided when-and-if they become available, revenue related to OTA software updates is recognized ratably over the basic vehicle warranty term, commencing when control of the vehicle is transferred to the customer.

The Group provides a manufacturer's warranty on all vehicles sold. The warranty covers the rectification of reported defects via repair, replacement, or adjustment of faulty parts or components. The warranty does not cover any item where failure is due to normal wear and tear. This assurance-type warranty does not create a performance obligation separate from the vehicle. The estimated cost of the assurance-type warranty is accrued at the time of vehicle sale.

Control transfers to the customer when the product is delivered to the customer as the customer can then direct the product's use and obtain substantially all of the remaining benefits from the asset at that point in time.

▪ Battery Pack System

Battery pack system revenue consists of the sales of battery pack systems, supplies and related services for vehicles. The sale of battery pack systems along with related supplies is a single performance obligation to be recognized at the point in time when control is transferred to the customer. Shipping and handling provided by Group is considered a fulfillment activity. Customers generally have the right to return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the returned product. As a result, the right of return and related refund liability for non-conforming or defective goods is estimated and recorded as a reduction in revenue, if necessary. Payment for the products sold are made upon invoice or in accordance with payment terms customary to the business.

The Company's battery pack system contracts do not contain a significant financing component.

▪ Revenue from Gaming

The Group recognized revenue from various revenue streams as below:

- revenue from sponsored products is recognized in the month of offline event
- revenue from Publisher contracts is recognized as over time (based on stage of completion) or in the month of offline event (if the nature is short term, i.e. only one event)
- revenue from advertisement content is recognized over time (based on percentage of completion)
- revenue from media contracts is recognized over time based on a two-step approach of "hours watched" and "hours produced".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***32. REVENUE (continued)****Significant accounting policies that apply to revenue (continued)****(g) Revenue from other industries: (continued)**

- **Manpower services**

Revenue from providing manpower services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual hours spent relative to the total expected hours under the contract.

(h) 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).

(i) 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 recognizing 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.

32.1 Revenue breakdown on activities and services:

	<i>2022</i>	<i>2021</i>
Revenue from Banking and financial services:		
Special commission and interest income	37,925	26,934
Fee and commission income	5,442	4,424
Trading and other revenue from banking and financial services	4,250	4,374
Total revenue from banking and financial services	47,617	35,732
Non-banking and financing Operations:		
Revenue from telecommunication	66,016	62,487
Revenue from mining activities	40,277	26,769
Revenue from advance traffic management system and related activities	10,103	7,841
Revenue from events' operations services	5,994	1,949
Revenue from educational services and projects	4,722	4,842
Revenue from information technology solutions and services	4,005	1,064
Revenue from advance electronics and aerospace	3,781	3,026
Revenue from manpower and outsourcing services	2,351	991
Agriculture and livestock production and related services	2,288	1,538
Revenue from sale of vehicles and related goods and services	2,280	102
Others ^(a)	17,168	10,546
Total revenue	206,602	156,887

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***32. REVENUE (continued)****32.1 Revenue breakdown on activities and services: (continued)**

- (a) Others mainly include:
- revenue from aviation services amounting to SAR 1,856 million (2021: SAR 978 million),
 - revenue from project management and consultancy services amounting to SAR 1,751 million (2021: SAR 1,276 million),
 - revenue from sale of real estate amounting to SAR 1,683 million (2021: SAR 359 million),
 - revenue from drilling for oil and gas wells and related activities amounting to SAR 1,303 million (2021: SAR 2,607 million),
 - revenue from freight and transportation amounting to SAR 1,206 million (2021: SAR 764 million),
 - revenue from football clubs amounting to SAR 1,045 million (2021: nil),
 - revenue from trading of securities and related activities amounting to SAR 881 million (2021: SAR 743 million).
- (b) Revenue recognized during the year ended 31 December 2021 that was included in the contract liability balance at the beginning of the period amounting to SAR 6,983 million (2021: SAR 3,050 million)
- (c) The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2022, amounting to SAR 27,902 million (2021: SAR 10,865 million)
- (d) Out of the above total future revenue, the amount expected to be recognized within the next 12 months amounting to SAR 13,464 million (2021: SAR 5,809 million) and following the 12 months period amounting to SAR 14,438 million (2021: SAR 5,056 million).

32.2 Income from investment activities

	2022	2021
Dividend income from investments	20,485	6,632
Interest income from investment in financial instruments measured at amortized cost	3,305	3,817
Realized income from redemption/disposal of investments, net	1,353	664
(Loss) / income from fair value changes in financial instruments at FVTPL	(61,833)	10,422
(Loss) / income from fair value changes in managed fund and similar securities	(4,960)	49,519
Others	100	298
Total (loss) / income from investment operations	(41,550)	71,352

32.3 Geographical markets based on location of the customers:

	2022	2021
MENA	115,757	96,381
Indian subcontinent and Asia-Pacific	13,197	8,800
Europe	8,424	5,334
North America	5,626	3,114
Africa	5,275	2,579
Latin America	2,566	1,640
Australia	1,204	1,122
Rest of the world	5,951	1,758
Total	158,000	120,728

The disaggregation of revenue based on geographical markets exclude revenue generated from banking and financial service, income from investment activities and rental revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***32. REVENUE (continued)****32.4 Analysis and timing of revenue recognition**

	<i>2022</i>	<i>2021</i>
Special commission and interest income, fee income and commission income relating to banking operations	47,617	35,732
Lease revenue	985	427
Revenue from contract with customers		
At a point in time	76,660	54,029
Over a period of time	81,340	66,699
	206,602	156,887

32.5 Contract balances

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

	<i>2022</i>	<i>2021</i>
Trade receivables (refer to note 20)	52,532	54,330
Contract assets (refer to note 17.3)	15,437	12,419
Contract liabilities (refer note 30.3)	19,400	19,544

33. COST OF REVENUE**Significant accounting policies that apply to 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.

33.1 Cost of revenue from banking and financing operations

	<i>2022</i>	<i>2021</i>
Special commission expense	6,343	2,899
Interest expense	3,114	659
Fee and commission expenses	1,348	885
Total cost of revenue from banking and financing operations	10,805	4,443

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***33. COST OF REVENUE (continued)**

33.2 Cost of revenue from telecommunication	2022	2021
Cost of devices sold	10,691	10,013
Depreciation and amortization	7,116	7,032
Government charges on telecommunications	5,535	5,848
Network access charges	4,406	4,968
Employees costs	3,947	3,570
Other cost of revenue from telecommunication	4,940	4,798
Total cost of revenue from telecommunication	36,635	36,229
33.3 Cost of revenue from mining	2022	2021
Raw material and utilities consumed (including consumables)	12,382	8,273
Depreciation and amortization	4,913	4,518
Employees costs	2,201	1,710
Contracted services	1,966	1,632
Other cost of revenue from mining	2,001	687
Total cost of revenue from mining	23,463	16,820
33.4 Cost of revenue from agricultural and livestock production and related services		
Direct material	1,443	640
Employees costs	107	104
Depreciation and amortization	132	145
Loss (gain) on fair value of biological assets and agricultural produce	(174)	(633)
Other cost of revenue from agricultural and livestock production and related services	168	524
Total cost of revenue from agricultural and livestock production and related services	1,676	780
33.5 Cost of revenue from other industries		
Projects costs	8,910	4,155
Employees costs	8,201	5,427
Contracted services	6,616	5,660
Raw Materials/Direct materials consumed	3,429	528
Operations, repairs and maintenance	2,712	1,742
Depreciation and amortization	2,493	1,486
Obsolete and slow-moving inventory	2,144	321
Cost of devices sold	1,428	165
Other cost of revenue ⁽ⁱ⁾	7,535	3,765
Total cost of revenue from other industries	43,468	23,249
Total cost of revenue	116,047	81,521

- (i) Other cost of revenue from other industries include utilities expenses, licensing fees, transportation expenses, catering costs, films rent, food and beverage costs, insurance expenses, government fees, Infrastructure and operations management, rent, spares and consumables, consultancy, legal and professional fees, marketing and sponsorship, cost of project management services and construction contracts, general subcontracting, safety and security, fuel expenses and others.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***33. COST OF REVENUE (continued)****33.6 Cost from investment activities**

Investments advisory expenses	1,044	639
Other cost of revenue from investment operations	117	60
Total cost from investment activities	1,161	699

34. OTHER OPERATING INCOME, NET

	2022	2021
Net gain/(loss) on derivative instruments at fair value through profit or loss	4,704	(2,802)
Change in the fair value of the convertible note (refer to note 27)	3,538	-
Government grant income and amortization of government grant	1,607	2,053
Net change in fair value of financial assets measured at FVTPL (Non-investment operations)	463	967
Gain from sale and deemed gain from investment in associates and joint ventures	283	8,901
Dividend/distribution income (non-banking, non-investment operations)	214	201
(Loss) / gain from sale/repayment of investment in debt securities measured at amortized cost (non-investment operations)	(3,074)	327
(Impairment) reversal of impairment of investments in associates and joint ventures, net	(938)	(512)
Net foreign exchange loss	(372)	(180)
Early Retirement Cost	(366)	(313)
Net loss on disposal/write-off of property, plant and equipment, investment properties and termination of right-of-use assets	(311)	(288)
Other operating expenses	(1,427)	(707)
Total	4,321	7,647

35. SELLING AND DISTRIBUTION EXPENSES

	2022	2021
Employees cost	3,384	3,307
Advertising and publicity	2,694	931
Sales commissions	822	380
Other selling and distribution expenses ^(a)	2,690	2,358
Total	9,590	6,976

- (a) Other selling and distribution expenses include mainly pre-sales development, transportation and distribution expenses, consumables, contracted services, telephone and utility expenses, branding, Sport activities sponsorship expenses, Amortization and depreciation, business travels and rent expenses and other selling expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***36. ADMINISTRATIVE EXPENSES**

	2022	2021
Acquisition related transaction costs (refer to note 45.2)	-	20,908
Employee cost	21,889	17,898
Consultancy, legal and professional fees	11,786	6,183
Amortization and depreciation	8,061	6,051
Research and development costs	4,587	2,020
Impairment of assets	2,857	1,635
Repairs and maintenance expenses	1,814	1,247
Telephone and other communication expenses	1,621	1,113
Contracted services	1,276	681
Sponsorships and advertisement	1,106	385
Other administrative expenses ^(a)	7,489	5,501
Total	62,486	63,622

- (a) Other administrative expenses mainly include business travel, lease expenses, information technology services, electricity, water and other utilities, training, insurance, freight, handling, postage and courier expenses, branding, public relations expenses, exhibitions and conferences, subscriptions, spares and consumables, withholding tax and BoD and committees' remuneration.

37. FINANCE COST**Significant accounting policies that apply to finance costs*****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.

	2022	2021
Finance cost on conventional borrowings from banks and financial institutions	1,644	509
Finance cost on lease liabilities	490	438
Interest expense on Sukuk	508	300
Finance costs on Islamic borrowings from banks and financial institutions	414	236
Other finance costs ^(a)	1,276	1,060
Total	4,332	2,543

- (a) Others include mainly finance cost on loans from Government controlled entities, on employees' end of service benefits obligation, on loans from associates, unwinding of decommissioning, site rehabilitation and dismantling obligations, amortization of transaction cost and settlement of accrued derivative interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***38. FINANCE INCOME**

	2022	2021
Interest income and profit earned from Government and Government related entities	3,619	5,646
Interest income on loans and advances [non-banking, non-investment operations]	1,302	734
Interest income from banks (including time deposits, short-term deposits)	2,481	569
Other finance income ^(a)	619	82
Total	8,021	7,031

- (a) Others include mainly profit income from sukuk, bonds, finance income on lease receivables, amortization of premium on bonds/sukuk and other interest income.

39. EMPLOYEE COSTS

	2022	2021
Wages and salaries	26,341	19,818
Other Indirect Benefits and Allowances (e.g. Housing, Education, Transportation)	4,871	4,840
Share based payment expense	2,035	2,017
Contribution to social insurance	1,685	1,414
Employees' defined benefits obligations	1,284	1,239
Employees' Medical/Health/Life insurance expenses	1,602	569
Others ^(a)	4,761	3,641
Total	42,579	33,538

- (a) Others include other training expenses, employee related iqama and visa expenses, employees' loans discounts, capitalization of employee costs as projects under developments and other benefits.

Allocated to:	2022	2021
Cost of revenue	14,456	10,811
Administrative expenses	21,889	17,647
Selling and distribution expenses	3,384	3,307
Research and development (part of administrative expenses)	2,470	1,272
Cost capitalized under PPE	380	501
Total	42,579	33,538

40. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2022	2021
Impairment loss on Islamic financing and investment products – net of recoveries	1,655	2,592
Impairment loss on trade and other receivables – net of recoveries	1,410	2,302
Other Impairment loss ^(a)	730	1,342
Total	3,795	6,236

- (a) Others include mainly impairment loss on financing and advances, loans and receivables, investment securities and lease receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

41. COMMITMENTS AND CONTINGENCIES



Significant accounting policies that apply to commitments and contingencies

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.

Contingent liabilities

Contingent liabilities are possible obligations, whose existence will either be confirmed by future events not wholly within the Group's control, or present obligation where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Also, to the extent any information required is not disclosed because it is not practicable to do so, that fact is stated.

Transfer fees contingent liabilities

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would be payable by the Group if certain specific performance conditions are met. The Group estimate the fair value of any contingent consideration at the date of acquisition based on the probability of conditions being met and monitor this on an ongoing basis.

41.1 Commitments

(a) Investment commitments

The Group has the following contractual investment commitments:

	<i>As at</i> 31 December 2022	<i>As at</i> 31 December 2021	<i>As at</i> 1 January 2021
Investment securities (i)	212,825	124,961	144,960
Investment in associates	576	286	-
Investment in joint ventures	39	85	50
Total	213,440	125,332	145,010

- Commitments for investments, which are not yet called, amounting to SAR 210,894 million (as at 31 December 2021: SAR 123,836 million; as at 1 January 2021: SAR 143,835 million); and
- Agreement to invest in a fund aiming to improve the telecommunication and internet environment amounting to SAR 1,931 million (as at 31 December 2021 and 1 January 2021: SAR 1,125 million).

(b) Capital commitments

The Group has the following contractual capital commitments:

	<i>As at</i> 31 December 2022	<i>As at</i> 31 December 2021	<i>As at</i> 1 January 2021
Within one year	73,326	23,301	21,956
After one year but less than five years	68,607	26,412	21,160
More than five years	-	835	44
Total	141,933	50,548	43,160

(c) Other commitments

The Group has purchase commitment as of 31 December 31 2022 amounting to SAR 19,440 million (31 December 2021: SAR 3,010 million; 31 December 2020: SAR 1,900 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***41. COMMITMENTS AND CONTINGENCIES (continued)****41.2 Assets held in fiduciary capacity**

The Group's banking subsidiaries offer investment management, other fiduciary activities on behalf of clients, including management of certain investment funds in consultation with professional investment advisors, and hold assets in fiduciary capacity as at 31 December 2022 amounting to SAR 295,804 million (as at 31 December 2021: SAR 262,007 million; as at 1 January 2021: SAR 237,458 million). Assets held in trust or in a fiduciary capacity are not assets of the Group and accordingly have not been included in the consolidated statement of financial position.

The Group manages National Water Company ("NWC") on behalf of the Owner, which is not treated as assets of the Group and accordingly is not included in these consolidated financial statements.

41.3 Contingencies

	<i>As at</i>		
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Financial guarantees ^(a)	74,315	73,396	44,109
Letters of credit	23,475	26,416	11,960
Performance bonds	5,710	4,951	4,119
Third party claims ^(b)	3,965	3,602	3,693
Customer acceptances	6,945	4,054	3,135
Others	9,356	4,222	757
Total	123,766	116,641	67,773

- (a) Financial guarantees as at 31 December 2022 exclude related provisions amounting to SAR 4,278 million (31 December 2021: SAR 4,302 million).
- (b) Third party claims mainly comprise of legacy contractors' claims arising as part of the transfer of a project from the Fund to one of its subsidiaries. As at 31 December 2022, the value of outstanding claims amounted to SAR 3,570 million (31 December 2021: SAR 4,750 million; 1 January 2021: SAR 5,090 million) and based on management's best estimate, as at 31 December 2022, a provision of SAR 1,079 million (31 December 2021: SAR 1,317 million; 1 January 2021: SAR 1,442 million) has been recorded in the consolidated statement of financial position.
- (c) During the year, a Credit Support Agreement ("CSA") was signed between PIF and a Service Provider. Under the CSA, PIF guaranteed the Termination Payment to the extent of SAR 7,350 million, in case payment is required to be made to the Service Provider on account of the termination of the Utility Concession Agreement ("UCA") signed by one of wholly owned subsidiary of the Fund and Service Provider.

41.4 Undrawn loan commitments

	<i>As at</i>		
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Undrawn loan and Murabaha commitments	25,086	15,074	16,486

These exclude deposits as at 31 December 2022 amounting to SAR 5,134 million (31 December 2021: SAR 4,848 million; 1 January 2021: SAR 3,577 million) of margins held for irrevocable commitments and contingencies.

41.5 ECL on unfunded exposures

	<i>As at</i>		
	<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Unfunded exposure in stage 1	1,029	227	66
Unfunded exposure in stage 2	183	910	24
Total	1,212	1,137	90

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***42. OPERATING SEGMENTS****Significant accounting policies that apply to operating segments*****Basis for segmentation***

An operating segment ("segment") is a significant component of the Group that engages in business activities that are subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segments.

The Group has the following three divisions, which are its reportable segments. These divisions represent the long-term investment strategy of the Fund to achieve the Fund's strategic transformation program through vision 2030. The words "Segment" and or "Division" would be used interchangeably within this note.

Reportable segments ("Divisions")**Operations**

International investments

This Division includes the Fund's strategic international investments and diversified pool of international investment securities.

Local investments

This Division includes the Fund's investments in MENA (that engages in the investments in Saudi development and Saudi and MENA equity holdings) and Real Estate investments (that engages in real estate and infrastructure development, Giga projects and Land bank holdings).

Others (Corporate/Treasury)

This Division includes the Fund's investments in cash equivalents, money-market funds, promissory notes, legacy loans and corporate headquarter assets.

The Group's CODM reviews the internal management reports of each Division on a periodic basis.

42.1 Information about reportable segments

The main information and measures reported to the CODM for the purposes of making decisions about allocating resources to the Division and assessing its performance include the following:

- Assets Under Ownership of the Fund related to each Division ("AUO" referred in CODM's submissions by management as AUO); and
- AUO growth by Division.

There are no measures of revenue, expenses and liabilities included in the measures of the segment's revenue, expenses and liabilities that are used by the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.

AUO is a non-GAAP measure which represents the value determined by the management of the investments in each Division (including subsidiaries, associates and joint ventures). AUO growth measure represents the change in value of the resources determined by the management in respective Division from one period to another.

The measurement principles applied in measuring the information reported to the CODM are not in accordance with the requirements of IFRS. The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards, interpretations and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("IFRS endorsed in the Kingdom of Saudi Arabia") (refer to [note 2](#)), whilst the measures reported to the CODM apply value of the investments within respective Division as a measure of Division's AUO and the change in the value of the resources determined by the management of respective Division's AUO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***42. OPERATING SEGMENTS (continued)****42.1 Information about reportable segments (continued)**

Information related to each reportable segment is set out below

*As at and for the year ended 31**December 2022**(amounts in billions SAR)*

	<i>Reportable segments</i>			Total
	International investments	Local investments	Others	
Assets Under Ownership (AUO)	512	1,518	204	2,234
AUO Growth for the year	(65)	512	(192)	255

*As at and for the year ended 31**December 2021**(amounts in billions SAR)*

	<i>Reportable segments</i>			Total
	International investments	Local investments	Others	
Assets Under Ownership (AUO)	577	1,006	397	1,980
AUO Growth for the year	220	296	(80)	436

*As at 1 January 2021**(amounts in billions SAR)*

	<i>Reportable segments</i>			Total
	International investments	Local investments	Others	
Assets Under Ownership (AUO)	357	711	476	1,544

42.2 Reconciliations of information on reportable segments to the amounts reported in the consolidated financial statements

	<i>As at 31 December 2022 (in billions SAR)</i>	<i>As at 31 December 2021 (in billions SAR)</i>	<i>As at 1 January 2021 (in billions SAR)</i>
Assets			
Total assets of the Group as per the consolidated statement of financial position	2,917	2,539	2,060
Total assets of subsidiaries ^(a)	(1,401)	(1,287)	(931)
Intra- group assets eliminations and others	155	137	108
Total assets of the Fund	1,671	1,389	1,237
Management re-measurement for CODM ^(b)	563	591	307
Assets Under Ownership (AUO)	2,234	1,980	1,544
Liabilities ^(c)	-	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***42. OPERATING SEGMENTS (continued)****42.2 Reconciliations of information on reportable segments to the amounts reported in the consolidated financial statements (continued)**

	<i>2022</i>	<i>2021</i>
	<i>(in billions SAR)</i>	<i>(in billions SAR)</i>
Revenue ^(d)	-	-
Net (loss) Profit		
Net (loss) profit of the Group as per the consolidated statement of profit or loss	(15)	86
Net profit (loss) of subsidiaries ^(a)	18	(22)
Intra- group transaction eliminations and others	(34)	35
Net (loss) profit of the Fund	(31)	99
Management re-measurement for CODM ^(b)	286	337
AUO Growth	255	436

- (a) These represents adjustments to unconsolidate subsidiaries and re-measurement, where required, to arrive at carrying value of assets and net profit of the Fund.
- (b) Management re-measurement are adjustments based on the values determined for AUO. Values are determined periodically by the management by using quoted market prices for listed investments and based on various valuation techniques including discounted cash flows, adjusted net assets and broker quotes etc. for unquoted investments.
- (c) There is no measure of liabilities reported to the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.
- (d) There is no measure of revenue that are used by the CODM for the purposes of making decisions about allocating resources to the segment and assessing its performance.

42.3 Geographic information

The geographic information analyses the Group's revenue and non-current assets by the Group's country of domicile (i.e. Saudi Arabia) and other countries. In presenting the geographic information, revenue and non-current assets are based on the location (domicile) of the respective Group entities.

	<i>For the year ended 31 December</i>		
	<i>2022</i>	<i>2021</i>	
	<i>(in SAR billions)</i>	<i>(in SAR billions)</i>	
Revenue			
Saudi Arabia	159	226	
All other foreign countries	6	2	
Total	165	228	

	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December</i>	<i>31 December</i>	<i>1 January 2021</i>
	<i>2022</i>	<i>2021</i>	<i>1 January 2021</i>
	<i>(in billions SAR)</i>	<i>(in billions SAR)</i>	<i>(in billions SAR)</i>
Non-current assets			
Saudi Arabia	1,174	1,114	941
All other foreign countries	31	25	19
Total	1,205	1,139	960

Non-current assets exclude investment securities and deferred tax assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT**

The tables below set out the Group's classification of each class of financial assets, net of ECL, and financial liabilities at the date of consolidated statement of financial position:

		<i>As at 31 December 2022</i>				
<i>Description</i>	<i>Note</i>	<i>Derivative financial instruments</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total carrying value</i>
Financial Assets						
<i>Non-derivative financial assets</i>						
Promissory notes	15	-	-	-	122,183	122,183
Investment securities	16	-	546,347	458,975	236,203	1,241,525
Other financial assets	17	-	-	-	32,703	32,703
Financing and advances	18	-	-	-	592,244	592,244
Trade receivables	20	-	3,540	-	48,992	52,532
Cash and deposits with banks and financial institutions	19	-	-	-	257,514	257,514
<i>Derivative financial assets</i>						
Derivatives	14	24,844	-	-	-	24,844
Total Financial Assets		24,844	549,887	458,975	1,289,839	2,323,545
Financial Liabilities						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	27	-	3,905	-	317,868	321,773
Lease liabilities	28	-	-	-	11,610	11,610
Trade and other payables	30	-	-	-	119,950	119,950
Customer deposits	31	-	-	-	607,002	607,002
<i>Derivative financial liabilities</i>						
Derivatives	14	22,484	-	-	-	22,484
Common Stock warrants	14	-	527	-	-	527
Total Financial Liabilities		22,484	4,432	-	1,056,430	1,083,346

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)**

		<i>As at 31 December 2021</i>				
<i>Description</i>	<i>Note</i>	<i>Derivative financial instruments</i>	<i>Measured at FVTPL</i>	<i>Measured at FVOCI</i>	<i>Measured at amortized cost</i>	<i>Total carrying value</i>
Financial Assets						
<i>Non-derivative financial assets</i>						
Promissory notes	15	-	-	-	222,303	222,303
Investment securities	16	-	526,342	173,660	224,430	924,432
Other financial assets	17	-	-	-	32,968	32,968
Financing and advances	18	-	-	-	535,362	535,362
Trade receivables	20	-	2,973	-	51,357	54,330
Cash and deposits with banks and financial institutions	19	-	-	-	282,258	282,258
<i>Derivative financial assets</i>						
Derivatives	14	9,936	-	-	-	9,936
Total Financial Assets		9,936	529,315	173,660	1,348,678	2,061,589
Financial Liabilities						
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	27	-	7,444	-	241,897	249,341
Lease liabilities	28	-	-	-	10,619	10,619
Trade and other payables	30	-	-	-	89,757	89,757
Customer deposits	31	-	-	-	603,381	603,381
<i>Derivative financial liabilities</i>						
Derivatives	14	10,951	-	-	-	10,951
Common Stock warrants	14	-	5,231	-	-	5,231
Total Financial Liabilities		10,951	12,675	-	945,654	969,280

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)**

		As at 1 January 2021				
Description	Note	Derivative financial instruments	Measured at FVTPL	Measured at FVOCI	Measured at amortized cost	Total carrying value
Financial Assets						
Non-derivative financial assets						
Promissory notes	15	-	-	-	235,901	235,901
Investment securities	16	-	427,191	134,362	175,932	737,485
Other financial assets	17	-	-	-	38,551	38,551
Financing and advances	18	-	-	-	382,754	382,754
Trade receivables	20	-	1,456	-	30,309	31,765
Cash and deposits with banks and financial institutions	19	-	-	-	249,739	249,739
Derivative financial assets						
Derivatives	14	9,580	-	-	-	9,580
Total Financial Assets		9,580	428,647	134,362	1,113,186	1,685,775
Financial Liabilities						
Non-derivative financial liabilities						
Loans and borrowings	27	-	-	-	196,633	196,633
Lease liabilities	28	-	-	-	9,030	9,030
Trade and other payables	30	-	-	-	77,878	77,878
Customer deposits	31	-	-	-	447,223	447,223
Derivative financial liabilities						
Derivatives	14	12,514	-	-	-	12,514
Total Financial Liabilities		12,514	-	-	730,764	743,278

43.1 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)****(a) Credit risk management and structure (continued)**

The Group's maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	<i>As at</i> <i>31 December</i> <i>2022</i>	<i>As at</i> <i>31 December</i> <i>2021</i>	<i>As at</i> <i>1 January 2021</i>
Financial Assets			
<i>Non-derivative financial assets</i>			
Promissory notes	122,183	222,303	235,901
Investment securities - debt	331,544	314,997	243,939
Other financial assets	32,703	32,968	38,551
Financing and advances	592,244	535,362	382,754
Trade receivables	52,532	54,330	31,765
Cash and deposits with banks and other financial institutions	250,235	273,726	242,097
<i>Derivative financial assets</i>			
Derivatives	24,844	9,936	9,580
Financial assets - Sub-total	1,406,285	1,443,622	1,184,587
Commitments and guarantees			
Financial guarantees	70,037	69,094	44,109
Letters of credit	23,475	26,416	11,960
Customer acceptances	6,945	4,054	3,135
Undrawn loan commitments	25,086	15,074	16,486
Total maximum credit exposure	1,531,828	1,558,260	1,260,277

(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 an LGD.
- EAD of a financial asset is its gross carrying amount.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

(c) Credit risk management

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.

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 estimates 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 instrument such as financing and advances and customers' deposits are shown gross on the consolidated statement of financial position and no offsetting has been done.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 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

	<i>Gross Carrying amount As at 31 December 2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Due from banks and financial institutions				
Investment grade	94,380			
Non-investment grade	5,766	-	-	-
Unrated	2,401	-	-	-
Gross carrying amount	102,547	-	-	-
Financing and advances				
Investment grade	98,548	1,489	11	-
Non-investment grade	161,008	24,294	834	-
Unrated	303,604	2,708	219	-
Individually impaired	-	-	8,983	2,957
Gross carrying amount	563,160	28,491	10,047	2,957
Debt investment securities at amortized cost				
Government Bonds, Sukuk and Treasury Bills	142,604	56	-	-
Investment grade	32,531	308	-	-
Non-investment grade	5,991	634	206	-
Unrated	53,728	232	782	-
Gross carrying amount	234,854	1,230	988	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

(c) Credit risk management (continued)

<i>Gross Carrying amount</i>				
<i>As at 31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Debt investment securities at FVOCI				
Government Bonds, Sukuk and Treasury Bills	23,925	-	-	-
Investment grade	30,914	268	-	-
Non-investment grade	13,942	104	-	-
Unrated	13,305	-	-	-
Gross carrying amount	82,086	372	-	-
Promissory note				
Investment grade	122,183	-	-	-
Total	122,183	-	-	-
Cash and deposits with banks and other financial institutions – Non-banking operations				
Investment grade	147,707	-	-	-
Total	147,707	-	-	-
Commitment and contingencies (*)				
Investment grade	43,414	842	-	-
Non-investment grade	59,260	6,110	1,462	4,833
Unrated	19,609	1	-	-
Total	122,283	6,953	1,462	4,833

<i>Gross Carrying amount</i>				
<i>As at 31 December 2021</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Due from banks and financial institutions				
Investment grade	124,132	-	-	-
Non-investment grade	6,719	-	-	-
Unrated	2,821	-	-	-
Gross carrying amount	133,672	-	-	-
Financing and advances				
Investment grade	84,532	2,375	4	-
Non-investment grade	162,178	15,670	1,119	-
Unrated	265,971	4,584	54	-
Individually impaired	-	-	8,243	2,624
Gross carrying amount	512,681	22,629	9,420	2,624
Debt investment securities at amortized cost				
Government Bonds, Sukuk and Treasury Bills	149,724	-	-	-
Investment grade	8,851	1,281	-	-
Non-investment grade	9,057	-	206	-
Unrated	55,605	-	-	-
Gross carrying amount	223,237	1,281	206	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)****(c) Credit risk management (continued)**

<i>Gross Carrying amount</i>				
<i>As at 31 December 2021</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Debt investment securities at FVOCI				
Government Bonds, Sukuk and Treasury Bills	39,311	-	-	-
Investment grade	18,523	268	-	-
Non-investment grade	14,490	104	-	-
Unrated	3,834	-	-	-
Gross carrying amount	76,158	372	-	-
Promissory note				
Investment grade	222,303	-	-	-
Total	222,303	-	-	-
Cash and deposits with banks and other financial institutions – Non-banking operations				
Investment grade	140,071	-	-	-
Total	140,071	-	-	-
Commitment and contingencies ^(*)				
Investment grade	38,840	121	-	-
Non-investment grade	56,232	8,444	1,363	-
Unrated	16,955	20	1,916	-
Total	112,027	8,585	3,279	-

<i>Gross Carrying amount</i>				
<i>As at 1 January 2021</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>
Due from banks and financial institutions				
Investment grade	106,205	-	-	-
Non-investment grade	6,336	-	-	-
Unrated	1,194	-	-	-
Gross carrying amount	113,735	-	-	-
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	57,258	-	-	-
Investment grade	35,949	1,217	-	-
Non-investment grade	5,285	491	206	-
Unrated	75,835	-	-	-
Gross carrying amount	174,327	1,708	206	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

(c) Credit risk management (continued)

	Gross Carrying amount As at 1 January 2021			
	Stage 1	Stage 2	Stage 3	POCI
Debt investment securities at FVOCI				
Government Bonds, Sukuk and Treasury Bills	24,754	-	-	-
Investment grade	14,640	1,149	-	-
Non-investment grade	12,547	110	-	-
Unrated	5,054	-	-	-
Gross carrying amount	56,995	1,259	-	-
Promissory note				
Investment grade	235,901	-	-	-
Total	235,901	-	-	-
Cash and deposits with banks and other financial institutions – Non-banking operations				
Investment grade	128,367	-	-	-
Total	128,367	-	-	-
Commitment and contingencies (*)				
Investment grade	30,485	1,278	-	-
Non-investment grade	27,436	3,186	5,285	-
Unrated	9,205	1	2,933	-
Total	67,126	4,465	8,218	-

During the year ended 31 December 2022, there were purchased or originated credit-impaired ("POCI") financial assets (gross financing and advances) acquired amounting to SAR 2,957 million (2021: SAR 2,624 million).

(*) Commitment and contingencies include financial guarantees, letters of credit, performance bonds, customer acceptances and undrawn loan and Murabaha commitments.

■ **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) **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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.1 Credit risk (continued)

(c) Credit risk management (continued)

■ Significant Increase in Credit Risk (SICR) (continued)

i) Credit risk grades (continued)

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, and 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 behavior – 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.

ii) 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.

iii) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)***(c) Credit risk management (continued)*■ **Significant Increase in Credit Risk (SICR) (continued)***iii) Determining whether credit risk has increased significantly (continued)*

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;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iv) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)****(c) Credit risk management (continued)**■ **Significant Increase in Credit Risk (SICR) (continued)****v) 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.

vi) 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.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 years. Moreover, a sensitivity analysis has been conducted on the macro-economic impact in order to assess the change in ECL. A shift of 10% would result in a shift of 7 basis points in ECL.

vii) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)****(c) Credit risk management (continued)**■ **Significant Increase in Credit Risk (SICR) (continued)***vii) Measurement of ECL (continued)*

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.

■ **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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.1 Credit risk (continued)***(c) Credit risk management (continued)*▪ **Trade receivables (continued)**

The table below includes the credit risk analysis for trade receivables and contract assets:

<i>As at 31 December 2022</i>						
	Not past due	Less than 3 months	3 to 6 months	7 to 12 months	More than 12 months	Total
Trade receivables,						
gross	11,311	9,947	5,327	11,348	18,839	56,772
Contract assets, gross	8,140	905	2,691	3,763	412	15,911
Loss allowance	(488)	(135)	(242)	(1,292)	(2,557)	(4,714)
<i>As at 31 December 2021</i>						
	Not past due	Less than 3 months	3 to 6 months	7 to 12 months	More than 12 months	Total
Trade receivables,						
gross	10,928	11,007	4,200	14,825	17,388	58,348
Contract assets, gross	10,355	1,882	225	155	186	12,803
Loss allowance	(694)	(555)	(612)	(1,203)	(1,338)	(4,402)

43.2 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.2 Liquidity risk (continued)***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:

<i>As at 31 December 2022</i>						
	<i>On</i>	<i>Less than</i>			<i>Over 5</i>	
	<i>demand</i>	<i>3</i>	<i>3-12</i>	<i>1-5 year</i>	<i>years</i>	<i>Total</i>
		<i>months</i>	<i>months</i>			
Financial liabilities						
Customer deposits	443,730	131,457	39,977	2,627	34	617,825
Loans and borrowings	4,259	111,940	47,537	131,251	69,444	364,431
Trade and other payables	735	7,300	103,827	7,806	1,478	121,146
Lease liabilities	25	234	2,716	6,695	5,460	15,130
Derivative financial instruments (gross amounts payable)	5	7,360	2,034	12,202	19,992	41,593
Total	448,748	258,481	195,907	160,581	96,408	1,160,125
Financial guarantees	74,315	-	-	-	-	74,315
<i>As at 31 December 2021</i>						
	<i>On</i>	<i>Less than</i>			<i>Over 5</i>	
	<i>demand</i>	<i>3</i>	<i>3-12</i>	<i>1-5 year</i>	<i>years</i>	<i>Total</i>
		<i>months</i>	<i>months</i>			
Financial liabilities						
Customer deposits	510,371	101,353	51,716	2,081	34	665,555
Loans and borrowings	131,595	13,670	12,878	86,174	33,016	277,333
Trade and other payables	166	3,915	81,410	3,681	585	89,757
Lease liabilities	46	327	2,137	5,460	4,749	12,719
Derivative financial instruments (gross amounts payable)	-	83,285	55,863	86,126	20,969	246,243
Total	642,178	202,550	204,004	183,522	59,353	1,291,607
Financial guarantees	73,396	-	-	-	-	73,396

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.2 Liquidity risk (continued)***Analysis of financial liabilities by remaining contractual maturities (continued)*

	<i>As at 1 January 2021</i>					
	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 year</i>	<i>Over 5 years</i>	<i>Total</i>
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	67,446	8,189	1,144	77,878
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	149,035	161,346	50,759	908,957
Financial guarantees	44,109	-	-	-	-	44,109

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.

43.3 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)****(a) Market risk: Banking operations (continued)**■ **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.

■ **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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)****(a) Market risk: Banking operations (continued)****▪ Market risk – banking book (continued)****i) Interest rate risk (continued)**

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 is immaterial for years ended 31 December 2022 and 31 December 2021. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest-bearing non-trading financial assets and financial liabilities held as at 31 December, including the effect of hedging instruments. The sensitivity of the equity is calculated by revaluing the fixed rate fair value through profit or loss, including the effect of any associated hedges, as at 31 December for the effect of assumed changes in interest rates. The sensitivity of equity is analyzed by maturity of the assets or cash flow hedge swaps. All significant banking book exposures are monitored and analyzed in currency concentrations. The sensitivity analysis conducted does not take account of actions by the Group's banking subsidiaries that might be taken to mitigate the effect of such changes.

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.

As at 31 December 2022

	<i>Within 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
Assets						
Financing and advances	139,797	162,297	143,979	145,417	754	592,244
Investment securities	58,539	18,741	55,885	117,844	26,515	277,524
Cash and deposits with banks and other financial institutions	51,893	5,012	5	-	52,736	109,646
Derivatives	12,287	4,487	1,960	1,272	4,774	24,780
Total financial assets	262,516	190,537	201,829	264,533	84,779	1,004,194
Liabilities						
Loans and borrowings	132,279	22,491	33,215	2,965	5,053	196,003
Customer deposits	165,238	33,549	854	-	407,361	607,002
Derivatives	12,397	3,626	1,777	1,171	3,565	22,536
Total financial liabilities	309,914	59,666	35,846	4,136	415,979	825,541
On-balance sheet gap	(47,398)	130,871	165,983	260,397	(331,200)	178,653
Cumulative interest rate sensitivity gap	(47,398)	83,473	249,456	509,853	178,653	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)****(a) Market risk: Banking operations (continued)**■ **Market risk – banking book (continued)****i) Interest rate risk (continued)****As at 31 December 2021**

	<i>Within 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
Assets						
Financing and advances	145,772	154,633	119,848	109,801	5,308	535,362
Investment securities	66,243	29,850	45,319	100,321	19,020	260,753
Cash and deposits with banks and other financial institutions	71,587	7,550	41	-	62,889	142,067
Derivatives	5,476	1,883	780	84	1,713	9,936
Total financial assets	289,078	193,916	165,988	210,206	88,930	948,118
Liabilities						
Loans and borrowings	98,592	13,415	27,770	6,721	4,147	150,645
Customer deposits	132,165	50,236	450	43	420,487	603,381
Derivatives	5,513	3,074	500	86	1,615	10,788
Total financial liabilities	236,270	66,725	28,720	6,850	426,249	764,814
On-balance sheet gap	52,808	127,191	137,268	203,356	(337,319)	183,304
Cumulative interest rate sensitivity gap	52,808	179,999	317,267	520,623	183,304	

As at 1 January 2021

	<i>Within 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Non- interest bearing</i>	<i>Total</i>
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 financial assets	204,103	141,191	131,680	143,092	55,040	675,106
Liabilities						
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 financial liabilities	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	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

■ Market risk – banking book (continued)

i) Interest rate risk (continued)

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 (IBORs) with alternative nearly risk-free rates (RFR) (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition 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 contracts 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.

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.

<i>As at 31 December 2022</i>		
	<i>Non-Derivative</i>	<i>Derivatives</i>
	<i>Financial Assets</i>	<i>Nominal amount</i>
LIBOR	58,805	260,529
Cross currency swaps LIBOR (to IBOR)	-	347
Total	58,805	260,876

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

■ Market risk – banking book (continued)

i) Interest rate risk (continued)

Interest rate benchmark reform (continued)

	<i>As at 31 December 2021</i>		
	<i>Non-Derivative</i>		
	<i>Non-Derivative Financial Assets</i>	<i>Financial Liabilities</i>	<i>Derivatives Nominal amount</i>
LIBOR	50,878	19,663	367,233
IBOR	-	-	41
Cross currency swaps LIBOR (to IBOR)	-	-	2,123
Total	50,878	19,663	369,397
	<i>As at 1 January 2021</i>		
	<i>Non-Derivative</i>		
	<i>Non-Derivative Financial Assets</i>	<i>Financial Liabilities</i>	<i>Derivatives Nominal amount</i>
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:

	<i>As at 31 December 2022</i>		
	<i>Fixed interest rate</i>	<i>Variable interest rate</i>	<i>Total</i>
Liabilities			
Bank borrowings	3,802	10,313	14,115
Bonds and Sukuk payable	24,965	2,358	27,323
Total	28,767	12,671	41,438

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

43. FINANCIAL RISK MANAGEMENT (continued)

43.3 Market risk (continued)

(a) Market risk: Banking operations (continued)

■ Market risk – banking book (continued)

i) Interest rate risk (continued)

<i>As at 31 December 2021</i>		
	<i>Fixed interest</i>	<i>Variable interest</i>
	<i>rate</i>	<i>rate</i>
Liabilities		Total
Bank borrowings	-	12,142
Bonds and Sukuk payable	11,821	3,895
Total	11,821	16,037
<i>As at 1 January 2021</i>		
	<i>Fixed interest</i>	<i>Variable interest</i>
	<i>rate</i>	<i>rate</i>
Liabilities		Total
Bank borrowings	-	13,580
Bonds and Sukuk payable	2,531	5,953
Total	2,531	19,533

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.

<i>Currency</i>	<i>Long (short)</i>	
	<i>As at</i>	<i>As at</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
USD	32,819	(1,324)
EUR	8,067	(1)
TRY	2,753	1,704
		<i>As at</i>
		<i>1 January 2021</i>
		894
		-
		2,162

The table below indicates the extent to which the Group was exposed to currency risk at 31 December on its significant foreign currency positions. The analysis is performed for reasonably possible movements of the currency rate against the Saudi Riyal with all other variables held constant, including the effect of hedging instruments, on the consolidated statement of income; the effect on equity of foreign currencies other than Turkish Lira (TRY) is not significant. A negative amount in the table reflects a potential net reduction in consolidated statement of income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take account of actions by the Group that might be taken to mitigate the effect of such changes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)****(a) Market risk: Banking operations (continued)**■ **Market risk – banking book (continued)***ii) Currency risk (continued)*

<i>For the year ended 31 December 2022</i>			
<i>Currency</i>	<i>Increase/decrease in currency rate in %</i>	<i>Effect on profit before tax</i>	<i>Effect on equity</i>
TRY	± 10%	± 30	± 234
EUR	± 10%	± 104	± 92
<i>For the year ended 31 December 2021</i>			
<i>Currency</i>	<i>Increase/decrease in currency rate in %</i>	<i>Effect on profit before tax</i>	<i>Effect on equity</i>
TRY	± 10%	± 27	± 184

■ **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 exposure**

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:

(b) Market risk: Non-banking operations

	As at 31 December 2022		
	Fixed	Variable	
Liabilities	interest rate	interest rate	Total
Bank borrowings	6,814	80,004	86,818
Loans from government and government related entities	1,883	11,407	13,290
Bonds and Sukuk payable	4,675	4,658	9,333
Green Bonds	10,868	-	10,868
Convertible notes	3,905	-	3,905
Bank overdraft	-	1,556	1,556
Total	28,145	97,625	125,770

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)****(b) Market risk: Non-banking operations (continued)**

<i>As at 31 December 2021</i>			
	<i>Fixed</i>	<i>Variable</i>	
Liabilities	<i>interest rate</i>	<i>interest rate</i>	<i>Total</i>
Bank borrowings	950	66,378	67,328
Loans from government and government related entities	2,583	11,782	14,365
Bonds and Sukuk payable	4,673	4,839	9,512
Convertible notes	7,444	-	7,444
Bank overdraft	-	47	47
Total	15,650	83,046	98,696

<i>As at 1 January 2021</i>			
	<i>Fixed</i>	<i>Variable</i>	
Liabilities	<i>interest rate</i>	<i>interest rate</i>	<i>Total</i>
Bank borrowings	1,505	70,904	72,409
Loans from government and government related entities	5,670	7,848	13,518
Bonds and Sukuk payable	4,672	5,398	10,070
Bank overdraft	-	211	211
Total	11,847	84,361	96,208

■ **Interest rate risk**

Variable interest rate includes instruments referenced to USD LIBOR amounting to SAR 15,279 million for which corresponding IBOR rates are not yet issued. Instruments of variable interest rate expose the Group to interest rate risks on cash flows, while instruments of fixed rate expose the Group to the interest rate risk on fair value. The fixed income instruments are generally held until maturity, hence, the fair value risk arising from movement in interest rate is minimal.

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.

<i>For the year ended 31 December 2022</i>			
	<i>Change in variables</i>	<i>Effect on profit before tax</i>	<i>Effect on equity</i>
Loans and borrowings	± 100 basis points	± 527	± 527

<i>For the year ended 31 December 2021</i>			
	<i>Change in variables</i>	<i>Effect on profit before tax</i>	<i>Effect on equity</i>
Loans and borrowings	± 100 basis points	(485) / 462	(971) / 923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 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 Fund'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:

	<i>Long (short)</i>		
	<i>As at</i>	<i>As at</i>	<i>As at</i>
	<i>31 December</i>	<i>31 December</i>	<i>1 January 2021</i>
<i>Currency</i>	<i>2022</i>	<i>2021</i>	
USD	32,819	41,300	29,475
EUR	8,067	2,154	1,510
GBP	30	82	145
Others	(2,570)	(1,565)	196

Since bulk of the transactions are either in SAR or USD, the currency risk for the Group's non-banking subsidiaries is insignificant.

- **Commodity price risk**

The Group, through one of its subsidiaries, is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of the mineral products it produces.

The respective subsidiary makes sale of certain gold, by-products, and phosphate and aluminum products on a provisional pricing basis. Revenue and a corresponding receivable from the sale of provisionally priced commodities is recognized when control over the promised goods have been transferred to the customer (which would generally be at a point in time, i.e. the date of delivery) and revenue can be measured reliably. At this date, the amount of revenue and receivable to be recognized will be estimated based on the forward market price of the commodity being sold.

However, the Group faces a risk that future adverse change in commodity prices would result in the reduction of receivable balance. The normal policy is to sell its products at prevailing market prices and the Group does not generally believe commodity price hedging would provide long-term benefit.

All such transactions are managed in accordance with the risk framework approved by the Board of Directors of the respective subsidiary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 Market risk (continued)***(b) Market risk: Non-banking operations (continued)*■ **Commodity price risk (continued)***Commodity price exposure*

The exposure of the Group's trade receivables balance to changes in commodity prices are as follows:

Trade receivables pertaining to:	<i>As at</i> <i>31 December</i> <i>2022</i>	<i>As at</i> <i>31 December</i> <i>2021</i>	<i>As at</i> <i>1 January 2021</i>
Phosphate	3,919	2,568	1,315
Aluminum	1,749	1,576	953
Gold	226	260	184
Total	5,894	4,404	2,452

Commodity price sensitivity analysis

The table below shows the impact on profit before zakat and tax and equity for changes in commodity prices. The analysis is based on the assumption that phosphate, aluminum and gold prices move 10% with all other variables held constant.

<i>For the year ended 31 December 2022</i>			
	<i>Effect on profit</i>		
	<i>Change in price</i>	<i>before zakat and tax</i>	<i>Effect on equity</i>
Phosphate	± 10%	± 283	± 283
Aluminum	± 10%	± 768	± 768
Gold	± 10%	± 225	± 225
<i>For the year ended 31 December 2021</i>			
	<i>Effect on profit</i>		
	<i>Change in price</i>	<i>before zakat and tax</i>	<i>Effect on equity</i>
Phosphate	± 10%	± 181	± 181
Aluminum	± 10%	± 471	± 471
Gold	± 10%	± 230	± 230

Physical commodity contracts

The Group enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognized and measured at cost when the transaction occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***43. FINANCIAL RISK MANAGEMENT (continued)****43.3 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 measured at FVTPL and FVOCI at the reporting date. 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:

<i>Description</i>	<i>For the year ended 31 December 2022</i>		
	<i>Increase/decrease</i>	<i>Effect on profit or</i>	<i>Effect on OCI</i>
	<i>in price in %</i>	<i>loss</i>	
Equity instruments measured at FVTPL	± 10%	± 13,042	-
Equity instruments measured at FVOCI	± 10%	-	± 33,436

<i>Description</i>	<i>For the year ended 31 December 2021</i>		
	<i>Increase/decrease</i>	<i>Effect on profit or</i>	<i>Effect on OCI</i>
	<i>in price in %</i>	<i>loss</i>	
Impact of changes in market prices	± 10%	± 8,025	-
Impact of changes in market prices	± 10%	-	± 6,544

43.4 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 have 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.

43.5 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 1,580 million as at 31 December 2022. There were no changes to the Group's objectives, policies or procedures during the year / period ended 31 December 2022.

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 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES**

The below list is for the direct subsidiaries of the group.

<i>Listed Local Companies</i>	<i>Industry Group</i>	<i>Ownership interest</i>		
		<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Saudi Telecom Company (stc) ^(a)	Telecommunications	64.00%	64.00%	70.00%
Saudi National Bank (SNB) (formerly National Commercial Bank (NCB)) ^(a) (refer to note 45)	Banking	37.24%	37.24%	44.29%
Saudi Arabian Mining Company (Ma'aden)	Materials	67.18%	67.18%	67.18%
Saudi Tadawul Group Holding Co. (Tadawul) (formerly Saudi Stock Exchange Company)	Financials	60.00%	70.00%	100.00%
Saudi Real Estate Company (Al Akaria)	Real Estate	64.58%	64.58%	64.58%
Elm Company (formerly Al Elm Information Security Company) ^(b)	Information Technology	67.00%	100.00%	-
<i>Unlisted Local Companies</i>				
Saudi Arabia Investment Company (Sanabil)	Financials	100.00%	100.00%	100.00%
Tahakom Investment Company (Tahakom)	Information Technology	100.00%	100.00%	100.00%
King Abdullah Financial District Management & Development Company (KAFD)	Real Estate	100.00%	100.00%	100.00%
Industrialization & Energy Services Company (Taqa)	Energy	54.00%	45.79%	45.79%
Neom Company	Real Estate	100.00%	100.00%	100.00%
Water & Electricity Holding Company (WEHC)	Utilities	100.00%	100.00%	100.00%
Saudi Entertainment Ventures (SEVEN)	Consumer Discretionary	100.00%	100.00%	100.00%
Saudi Agricultural & Livestock Investment Company (SALIC)	Consumer Staples	100.00%	100.00%	100.00%
Saudi Real Estate Refinance Company	Financials	100.00%	100.00%	100.00%
Tatweer Education Holding Company (Tatweer) ^(c)	Consumer Discretionary	-	100.00%	100.00%
National Unified Procurement Company for Medical Supplies (Nupco)	Health Care	100.00%	100.00%	100.00%
Rou'a Al Madinah Holding Company	Real Estate	100.00%	100.00%	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

Unlisted Local Companies (continued)	Industry Group	Ownership interest		
		31 December 2022	31 December 2021	1 January 2021
National Energy Services Company (Tarshid)	Utilities	100.00%	100.00%	100.00%
Saudi Arabian Military Industries Company (SAMI)	Industrials	100.00%	100.00%	100.00%
Saudi Development and Technology Investment Company (TAQNIA)	Industrials	100.00%	100.00%	100.00%
Saudi Investment Recycling Company (SIRC)	Industrials	100.00%	100.00%	100.00%
Saudi Company for Aircraft Modification and Maintenance (GDC Middle East)	Industrials	80.00%	80.00%	80.00%
POSCO E&C Saudi Arabia (PECSA)	Industrials	60.00%	60.00%	60.00%
Saudi Railway Company (SAR)	Industrials	100.00%	100.00%	100.00%
Red Sea Global (formerly known as The Red Sea Development Company)	Real Estate	100.00%	100.00%	100.00%
Central Arriyadh Development Company	Real Estate	100.00%	100.00%	100.00%
Qiddiyah Investment Company	Real Estate	100.00%	100.00%	100.00%
The Helicopter Company	Industrials	100.00%	100.00%	100.00%
National Security Services Company (SAFE)	Industrials	100.00%	100.00%	100.00%
Jeddah Central Development Company (JCDC) (formerly New Jeddah Downtown Company)	Real Estate	100.00%	100.00%	100.00%
Red Sea Cruise Company (RSCC)	Consumer Discretionary	100.00%	100.00%	100.00%
Roshn Real Estate Company	Real Estate	100.00%	100.00%	100.00%
Amaala Company ^(d)	Real Estate	-	100.00%	100.00%
Boutique Hospitality Group	Consumer Discretionary	100.00%	100.00%	100.00%
Brand Company	Other Industries	100.00%	100.00%	100.00%
Al-Balad Development Company	Real Estate	100.00%	100.00%	100.00%
Soudah Development Company	Real Estate	100.00%	100.00%	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

Unlisted Local Companies (continued)	Industry Group	Ownership interest		
		31 December 2022	31 December 2021	1 January 2021
Center for Governance Company	Other Industries	100.00%	100.00%	100.00%
Diplomatic Quarter Holding Company	Real Estate	100.00%	100.00%	100.00%
Uptown Jeddah Company	Real Estate	100.00%	100.00%	100.00%
Hotel Management Company	Consumer Discretionary	100.00%	100.00%	100.00%
Sela Sports Company	Consumer Discretionary	92.79%	65.00%	65.00%
Saudi Downtown Company	Real Estate	100.00%	100.00%	100.00%
Tadawul Real Estate Company (TREC)	Real Estate	53.31%	66.56%	66.56%
Al Madinah Heritage	Consumer Staples	100.00%	100.00%	-
National Real Estate Registration Company	Real Estate	100.00%	100.00%	-
The Saudi Coffee Company	Consumer Staples	100.00%	100.00%	-
AlWadi Development Company	Real Estate	100.00%	100.00%	-
Saudi Hospitality Company	Consumer Discretionary	100.00%	100.00%	-
Pharmaceutical Investment Company	Health Care	100.00%	100.00%	-
Saudi Tourism Investment Company	Consumer Discretionary	100.00%	100.00%	-
The Saudi Egyptian Investment Company	Financials	100.00%	100.00%	-
Kayanee Company	Consumer Discretionary	100.00%	100.00%	-
Aseer Investment Company	Real Estate	100.00%	100.00%	-
Saudi Company for Artificial Intelligence	Information Technology	100.00%	100.00%	-
The Saudi Facility Management Company	Real Estate	100.00%	100.00%	-
Water Solutions Company	Utilities	100.00%	100.00%	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

	Industry Group	Ownership interest		
		31 December 2022	31 December 2021	1 January 2021
Unlisted Local Companies (continued)				
Electronic Gaming Infrastructure Company	Media and Entertainment	100.00%	100.00%	-
The Saudi Electronic Gaming Holding (Savvy) Company	Media and Entertainment	100.00%	100.00%	-
Halal Products Development Company (Halal)	Consumer Staples	100.00%	100.00%	-
Rua Alharam Almakki (formerly Rua Development Company)	Real Estate	100.00%	100.00%	-
Aviation Services Company	Industrials	100.00%	100.00%	-
Destinational Development Company	Real Estate	100.00%	-	-
SAWANI Company	Consumer Staples	100.00%	-	-
Aircraft Leasing Company	Industrials	100.00%	-	-
Ceer National Automotive Company	Consumer Discretionary	91.80%	-	-
Oil Park Development Company	Real Estate	100.00%	-	-
Bada'el Company	Health Care	100.00%	-	-
Dan Company	Real Estate	100.00%	-	-
Sports Investment Company	Consumer Discretionary	100.00%	-	-
Energy Solutions Company	Utilities	100.00%	-	-
Gulf Coast Real Estate Development Company	Real Estate	100.00%	-	-
Industrial Company for Electronics	Information Technology	100.00%	-	-
AlUla Development Company	Real Estate	100.00%	-	-
Smart Accommodation for Residential Complexes	Real Estate	100.00%	-	-
National Automotive & Mobility Investment Company	Consumer Discretionary	100.00%	-	-
Electric Vehicle (EV) Infrastructure Company	Consumer Discretionary	100.00%	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

Unlisted Local Companies (continued)	Industry Group	Ownership interest		
		31 December 2022	31 December 2021	1 January 2021
Smart Marinas Company for Development & Management	Real Estate	100.00%	-	-
Diriyah Gate Limited Company (refer to note 45)	Real Estate	100.00%	-	-
Regional Voluntary Carbon Market Company	Financials	92.00%	-	-
The Saudi Iraqi Investment Company	Financials	100.00%	-	-
The Saudi Sudanese Investment Company	Financials	100.00%	-	-
The Saudi Omani Investment Company	Financials	100.00%	-	-
The Saudi Bahraini Investment Company	Financials	100.00%	-	-
The Saudi Jordanian Investment Company	Financials	100.00%	-	-
New Murabba Development Company	Real Estate	100.00%	-	-
Fund of Funds Company (Jada) (refer to note 11.2)	Financials	100.00%	-	-
Golden Lattice Investments Company	Media and Entertainment	60.00%	-	-
Foreign Companies				
Gulf International Bank (GIB) B.S.C. – Bahrain	Banking	97.23%	97.23%	97.23%
Saudi Jordanian Investment Fund (SJIF) – Jordan	Financials	95.02%	90.00%	90.00%
LIV Golf Investments Ltd – United Kingdom	Media and Entertainment	97.30%	95.50%	-
Magic Leap, Inc. (refer to note 45) – United States of America	Media and Entertainment	58.95%	54.90%	-
DEPA PLC – United Arab Emirates	Industrials	55.00%	-	-
Extreme E Hong Kong Holdings Limited – Hong Kong	Media and Entertainment	41.51%	-	-
Rcare CV – Netherlands	Health Care	98.44%	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

	<i>Industry Group</i>	<i>Ownership interest</i>		
		<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
<i>Special Purpose Vehicles (SPVs)</i>				
Vision Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
Saudi Third Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
Saudi Second Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
Ayar International Investment Company	Financials	100.00%	100.00%	100.00%
Ayar First Investments Company	Media and Entertainment	100.00%	100.00%	100.00%
The Saudi Company for Gulf Food Investments	Consumer Staples	100.00%	100.00%	100.00%
The Saudi International Investment Company	Consumer Discretionary	100.00%	100.00%	100.00%
The Saudi Asian Investment Company	Industrials	100.00%	100.00%	100.00%
Saudi Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
Ayar Second Investment Company	Information Technology	-	-	100.00%
JACI First Investment Company	Information Technology	100.00%	100.00%	100.00%
Digital Media Investment Company	Media and Entertainment	100.00%	100.00%	100.00%
ARCI Holdings LLC	Other Industries	100.00%	100.00%	100.00%
NADE Investment Company LLC	Other Industries	100.00%	100.00%	100.00%
BOFR Investment Company Co. SARL	Consumer Discretionary	100.00%	100.00%	100.00%
Talisman Aviation Ltd.	Other Industries	100.00%	100.00%	100.00%
Ayar Third Investment Company	Consumer Discretionary	100.00%	100.00%	100.00%
The Saudi United Investment Company	Other Industries	100.00%	100.00%	100.00%
59 CVT LLC	Real Estate	100.00%	100.00%	100.00%
BIDE Investment Company LLC	Other Industries	100.00%	100.00%	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

<i>Special Purpose Vehicles (SPVs) (continued)</i>	<i>Industry Group</i>	<i>Ownership interest</i>		
		<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
The Saudi Fifth Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
The Saudi First Investment Company	Industrials	100.00%	100.00%	100.00%
The Saudi Fourth Technology Investment Company	Information Technology	100.00%	100.00%	100.00%
The Saudi Second Investment Company	Other Industries	100.00%	100.00%	100.00%
The Saudi Third Investment Company	Real Estate	100.00%	100.00%	100.00%
UKSA International LTD	Other Industries	100.00%	100.00%	100.00%
USCI First Investment Company	Other Industries	100.00%	100.00%	100.00%
USSA International LLC	Other Industries	100.00%	100.00%	100.00%
Prisa III Feeder-A LLC	Real Estate	100.00%	100.00%	100.00%
The Saudi Fifth Investment Company	Real Estate	100.00%	100.00%	100.00%
The Saudi Fourth Investment Company	Other Industries	100.00%	100.00%	100.00%
NCUK Investment Limited	Media and Entertainment	100.00%	100.00%	100.00%
HKSA International Limited	Other Industries	100.00%	100.00%	100.00%
The Saudi Seventh Investment Company	Other Industries	100.00%	100.00%	100.00%
The Saudi Sixth Investment Company	Other Industries	100.00%	100.00%	100.00%
GACI First Investment Company	Other Industries	100.00%	100.00%	100.00%
PAUK Investment Limited	Consumer Discretionary	100.00%	100.00%	100.00%
ICDE Investment Company LLC	Other Industries	100.00%	100.00%	-
Bridge First Investment Company	Other Industries	100.00%	-	-
The Multiple Assets Investment Company	Other Industries	100.00%	-	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***44. LIST OF SUBSIDIARIES (continued)**

<i>Special Purpose Vehicles (SPVs) (continued)</i>	<i>Industry Group</i>	<i>Ownership interest</i>		
		<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Numo Seventh International Investments Company	Other Industries	100.00%	-	-
Numo Eighth International Investments Company	Other Industries	100.00%	-	-
Numo Ninth International Investments Company	Other Industries	100.00%	-	-
Numo Tenth International Investments Company	Financials	100.00%	-	-
The Cavalcade Investment Company	Other Industries	100.00%	-	-
The Safety-First Investment Company	Financials	100.00%	-	-
The Road Plans Development Company	Other Industries	100.00%	-	-
The Second Multiple Assets Investment Company	Other Industries	100.00%	-	-
Alrahala First Investment Company	Other Industries	100.00%	-	-
Abour First Investment Company	Other Industries	100.00%	-	-

- (a) The ownership percentage for stc and SNB are computed using the PIF owned shares over the issued shares. For the purpose of the Fund's share of net assets of investee, effective ownership percentage is used.
- (b) Up and until 25 November 2021, the Group had significant influence on Elm as the Group had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Group. The Government body's representation at the board of directors is more than that of the Fund. However, on 25 November 2021, through the amendment of by-laws, PIF as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November in these consolidated financial statements.
- (c) Based on a royal decree, Tatweer Education Holding Company (Tatweer) has been transferred to the Owner without consideration and the transaction was considered as deemed dividends to the Owner.
- (d) Amaala Company was transferred to Red Sea Global (a subsidiary) without consideration and the transaction was considered additional capital contribution to Red Sea Global.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION**

During the years ended 31 December 2022 and 31 December 2021, the Group has entered into the following business combination transactions:

45.1 Merger between Saudi National Bank ("SNB") (the "Bank") and Samba Financial Group ("Samba")

On 1 April 2021, the Bank completed a statutory merger with Samba, a Saudi multinational banking company based in Saudi Arabia. Following the merger, Samba legal entity ceased to exist and assets, liabilities and all the business activities of Samba were transferred in exchange for newly issued shares of the Bank. Shares of Samba were cancelled and the new shares of the Bank were issued to the shareholders of Samba, after obtaining necessary regulatory approvals, at a predetermined exchange ratio of 0.739 new share for each Samba share. The issue of new shares resulted in increase in the Bank's paid-up capital by SAR 14,780 million from SAR 30,000 million to SAR 44,780 million and the number of its issued shares increased by 1,478,000,000 from 3,000,000,000 to 4,478,000,000. The Bank and Samba's original shareholders owned 67% and 33%, respectively, of the combined bank on a fully diluted basis on the merger date.

The fair value of the 1,478,000,000 shares issued as the consideration paid for Samba merger was determined on the basis of closing market price of the Bank's ordinary share on the Saudi Stock Exchange, on the last trading date prior to the date of acquisition date of 1 April 2021 of SAR 53.1 per share. The purchase consideration consists of the issue of 1,442,390,843 new shares to the shareholders of Samba net of treasury shares. Issue costs which were directly attributable to the issue of the shares were not material to these consolidated financial statements. As a result of issuance of shares, there was an increase in share capital and share premium of the Bank by SAR 14,780 million and SAR 63,702 million, respectively.

The merger created a pre-eminent financial institution with significant value creation potential for shareholders, customers and employees, structured to finance economic development, support Vision 2030 and facilitate trade and capital flows with the region and the rest of the world. The Bank will benefit from a strengthened competitive position as a superior retail banking franchise and the largest wholesale lender in the Kingdom. With a robust capital base and balance sheet, a balanced universal banking model, and improved liquidity, the Bank will be optimally positioned to compete regionally and locally.

At the date of the above merger, the Group held an investment in "Samba" with an ownership percentage of 22.91% and it was classified as an associate and accounted for using the equity method (refer to [note 11](#)). The merger is considered a business combination achieved in stages (step acquisition) and has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with the Group being the acquirer and Samba being the acquiree. As required by IFRS 3, the Group has completed the process of allocating the purchase consideration to the identifiable assets and liabilities within twelve months from the date of acquisition.

(a) Fair value of assets acquired and liabilities assumed

The fair value of assets and liabilities recognized as a result of the acquisition are as follows:

Assets	At acquisition date
Cash and balances with SAMA	30,803
Due from banks and other financial institutions, net	5,340
Positive fair value derivatives, net	5,659
Investments, net	73,545
Financing and advances, net	150,918
Property, equipment and right of use assets, net	2,836
Intangible assets arising from merger	8,916
Other assets	3,248
Total assets	281,265

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.1 Merger between Saudi National Bank ("SNB") (the "Bank") and Samba Financial Group ("Samba") (continued)****(a) Fair value of assets acquired and liabilities assumed (continued)**

Liabilities	At acquisition date
Due to banks and other financial institutions	21,393
Customers' deposits	193,832
Term loan	2,284
Debt securities in issue	5,825
Negative fair value derivatives, net	3,545
Other liabilities	11,620
Total liabilities	238,499
Non-controlling interest	(91)
Employees' share-based payments plan (transferred to SNB)	(90)
Net assets of "Samba" acquired (A)	42,585

(b) Consideration transferred and Goodwill

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

Details	
New equity shares issued	60,499
Fair value of previously held equity interest by the Group	17,983
Total consideration transferred	78,482
Samba treasury shares (converted to SNB treasury shares)	(1,890)
Net consideration transferred (B)	76,592
Goodwill recognized (B) – (A)	34,007

The fair value of the shares issued was determined on the basis of closing market price of the Bank's ordinary share on the Saudi stock exchange, on the last trading date prior to the date of acquisition date of 1 April 2021 of SAR 53.1 per share.

The fair value of previously held equity interest by the Group was determined based on number of shares held by the Group in "Samba" prior to the date of acquisition valued at the closing market price stated above.

Goodwill is allocated to cash-generating units ("CGU's"), which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than a segment. The goodwill allocated to Retail CGU and Wholesale CGU with an amount of SAR 25,648 million and SAR 8,359 million, respectively.

(c) Gain on deemed disposal of "Samba"

The following table summarizes the amount of gain recognized on acquisition date as a result of the merger transaction:

Details	2021
Fair value of previously held equity interest in "Samba"	17,983
Carrying value of previously held equity interest in "Samba"	(10,709)
	7,274
Amount of other comprehensive income recycled to profit or loss	159
Total gain	7,433

The gain was recognized in the consolidated statement of profit and loss within "Other operating income, net".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.1 Merger between Saudi National Bank (the "Bank") and Samba Financial Group ("Samba") (continued)****(d) Measurement of fair values**

The Group has completed a comprehensive purchase price allocation finalizing valuation adjustments to the following:

- Recognition of identified intangible assets including core deposits and other customer relationships;
- Financing and advances;
- Properties and equipment;
- Contingent liabilities;
- Other recognized financial and non-financial assets and liabilities.

The goodwill is primarily attributable to the expected future earnings of the acquired business and cost synergies created. The valuation techniques used for measuring the fair value of material assets acquired were as follows:

- **Customer relationship - Purchase Credit Card Receivable and other relationships**

The Group has estimated the value of Purchase Credit Card Receivable ("PCCR") using an income approach, specifically the Multi-period Excess Earnings Method ("MEEM"), which is a commonly accepted method for valuing customer relationships.

The Group has valued customer relationships for the Asset Management, Brokerage and Corporate Advisory business as a separate intangible asset due to the difference in nature between customer relationships formed through each of these segments.

- **Core deposit intangible**

The Group has adopted the discounted cost savings method, a form of the income approach, in valuation of the core deposit intangible on the difference between the cost of the Bank's core deposits (both special commission and servicing costs net of fee and commission income) and the cost of the Bank's alternative source of funds. The value of the core deposit intangible is the difference between the present value of the current source of funds and the alternate funding source. The analysis has considered demand, savings and time deposits. The assumed attrition and special commission rates and assumptions for fees and commissions are based on a historical analysis of deposit balances from existing customers.

- **Brand/trademark**

The Group has followed Relief-from-Royalty approach, a form of income approach, to value Samba's brand.

- **Acquired receivables**

The fair value of each class of acquired receivables, the gross contractual amount and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Fair value of the acquired receivables	Gross contractual amount of receivables	The contractual cash flows not expected to be collected
Due from banks and other financial institutions	5,339	5,339	
Investments	70,445	70,785	340
Financing and advances	150,918	157,518	6,600
Total	226,702	233,642	6,940

In addition, non-receivable assets and liabilities were subject to fair value adjustments, such as property and equipment.

(e) Merger-related costs

Merger related costs for the period ended 31 December 2021 was SAR 163 million charged to the consolidated statement of profit or loss. These were not directly attributable to the issue of shares and are included in "Other general and administrative expenses" in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.2 Merger between Churchill Capital Corp IV (formerly known as Annetta Acquisition Corp) ("Churchill") and Atieva, Inc. (a subsidiary of Ayar Third Investment Company)**

On February 22, 2021, Churchill Capital Corp IV ("Churchill") entered into a definitive merger agreement (the "Merger Agreement") with Atieva, Inc. ("Legacy Lucid") in which Legacy Lucid would become a wholly owned subsidiary of Churchill (the "Merger"). Upon the closing of the Merger on July 23, 2021 (the "Closing"), Churchill was immediately renamed to "Lucid Group, Inc." ("Lucid").

After giving effect to the Merger and the redemption of Churchill shares, the number of shares of common stock issued and outstanding immediately following the consummation of the Merger were as follows:

	Shares
Churchill public shares, prior to redemptions	207,000,000
Less redemption of Churchill shares	(21,644)
Churchill public shares, net of redemptions	206,978,356
Churchill Sponsor shares	51,750,000
PIPE shares	166,666,667
Total shares of Churchill common stock outstanding immediately prior to the Merger	425,395,023
Legacy Lucid shares	1,193,226,511
Total shares of Lucid common stock outstanding immediately after the Merger	1,618,621,534

The Merger between Churchill and Legacy Lucid was accounted as a capital reorganization. Churchill was treated as the acquired company. The net assets of Churchill were recognized as of the Closing at historical cost, with no goodwill or other intangible assets recorded. The Merger is also reflected by recording the instruments issued at fair value at the date of the merger in exchange for the net assets of Churchill. Operations prior to the Merger are presented as those of Legacy Lucid and the accumulated deficit of Legacy Lucid has been carried forward after Closing.

The excess of the fair value of the equity instruments issued over the fair value of the identified net assets received, represents a non-cash expense. This one-time expense as a result of the Merger, in the amount of US \$5,575 million (equivalent to SAR 20,908 million), is recognized as a share listing expense presented as part of the financial result within the Consolidated Statement of Profit or Loss. Transaction costs amounting to US \$22 million (equivalent to SAR 82 million) related to the Merger have been recognized in addition to the share listing expense.

Description	Price (US \$)	Number of shares/warrants	Amount (US \$)	Amount (SAR)
Ordinary Churchill shares exchanged	24.25	258,728,356	6,274	23,528
Churchill Private Placement Warrants exchanged	17.92 – 18.44	44,350,000	812	3,045
Churchill Public Warrants exchanged	11.74	41,400,000	486	1,823
Total fair value of consideration transferred by Lucid			7,572	28,396
Churchill's identifiable net assets			(1,997)	(7,488)
Merger charge/Listing fees			5,575	20,908

The charge represented the listing services fee that Lucid paid to Churchill as a result of the Merger and in obtaining the listing status of Churchill. The acquired net assets exclude the Public Warrant and Private Placement Warrant liabilities, as the warrants were exchanged for Lucid Warrants and therefore do not represent a liability assumed, but are rather included in the calculation of the consideration transferred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.3 Acquisition of SGG Esports AB and FACEIT Limited**

On 21 April 2022, the Group, through one of its indirect subsidiaries, acquired 100% of the shares in SGG Esports AB Limited ("SGG Esports") and 100% of the shares in FACEIT Limited ("FACEIT") to expand its portfolio and become a leading eSports company and combining the event and festival driven scene through SGG Esports AB and the online gaming platform through FACEIT Limited. The purchase consideration was SAR 5,567 million (equivalent to US \$ 1,485 million) in cash and accounted for under the acquisition method.

(a) Fair value of assets acquired and liabilities assumed and Goodwill

The fair value of assets and liabilities recognized as a result of the acquisition are as follows:

Assets	<i>SGG Esports</i>	<i>FACEIT</i>	<i>Total</i>
Intangible assets arising from acquisition	532	307	839
Other assets	375	23	398
Total assets	907	330	1,237
Total liabilities	576	91	667
Net assets acquired	331	239	570
Consideration transferred	3,063	2,504	5,567
Goodwill recognized	2,732	2,265	4,997

The goodwill represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including expected future synergies and the expertise of the acquired workforce.

(b) Acquisition related costs

The Group incurred SAR 139 million in acquisition-related costs that were recognized in the consolidated statement of profit or loss.

45.4 Other business combinations

During the years ended 31 December 2022 and 31 December 2021, the Group has accounted for the below acquisitions:

(a) Other business combinations through Public Investment Fund "PIF"

- On 25 August 2021, PIF has acquired 53.61% equity interest in Magic Leap, Inc. ("Magic Leap", "ML", or the "Company") for a total consideration of SAR 3,047 million (US \$813 million). PIF's share of fair value of assets and liabilities acquired amounted to SAR 1,145 million (US \$305 million) and SAR 838 million (US \$223 million), respectively, resulting in a goodwill of SAR 2,740 million (US \$731 million) recognized in the consolidated statement of financial position. The fair value of assets acquired includes intangible assets of SAR 865 million (US \$231 million)

The total consideration comprises of a cash injection of SAR 656 million (US \$175 million) and conversion of convertible notes into equity amounting to SAR 2,391 million (US \$638 million).

Magic Leap, Inc., a Delaware C-Corporation incorporated in 2011, has developed next generation wearable hardware that utilizes proprietary technology that provides digital content in a real-world setting. The Company has also developed a set of core applications and a software platform for that hardware. The Company is headquartered in Plantation, Florida.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.4 Other business combinations (continued)****(b) Other business combinations through Group's subsidiaries**

- On February 23, 2021, SAMI has acquired 100% shareholding of the Advanced Electronics Company for a total consideration of SAR 2,208 million. The fair values of the net assets of the company at the date of acquisition were SAR 1,140 million resulting in a goodwill of SAR 1,068 million recognized in the consolidated statement of financial position.

Advanced Electronics Company is a limited liability company registered in the Kingdom of Saudi Arabia. The objectives of the company are to engage in the design and manufacture of sophisticated electronic products and systems, to provide spares, training, data and services in connection with the foregoing, to provide logistic support services for avionics equipment, to provide electronic equipment test and repair services and to market these products and services.

- On 7 October 2021, NCUK Investment Limited ("NCUK") (a subsidiary of the Group) acquired 80% of the equity interest in Newcastle United Limited ("Newcastle" or "NUFC"), via an 80% interest in PZ Newco Limited, which owns 100% of the issued share capital of Newcastle United Limited, for a total consideration of SAR 1,236 million (GBP 244 million). During the year ended 31 December 2021, the Group accounted for the acquisition based on provisional fair value of assets and liabilities acquired amounted to SAR 1,490 million (GBP 294 million) and SAR 496 million (GBP 98 million), respectively, resulting in a provisional goodwill of SAR 404 million (GBP 80 million) recognized.

During the year ended 31 December 2022, the Group has completed the purchase price allocation of the transaction and the table below summarizes the fair value assets acquired, liabilities assumed and non-controlling interest at the acquisition date:

<i>Assets / Liabilities</i>	<i>Carrying value</i>	<i>Adjustment</i>	<i>Fair value</i>
Property, Plant & Equipment	278	(4)	274
Intangible assets	579	676	1,255
Cash at bank and in hand	89	-	89
Other assets and liabilities	(212)	-	(212)
Deferred revenue	(303)	-	(303)
Deferred tax liability	(11)	(151)	(162)
Total identifiable net assets	420	521	941
The Group's share of net assets			753
Consideration paid			1,236
Goodwill			483

The adjustments arising on acquisition were in respect of the following:

- The write down in property, plant and equipment to a third-party valuation on acquisition.
- The recognition of an intangible asset in respect of the Newcastle United Club brand.
- The uplift in intangible assets in respect of Players' registrations valued on acquisition.

For both, ML and NUFC acquisitions, the Group has elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

45. BUSINESS COMBINATION (continued)

45.5 Business combinations under common control

During the years ended 31 December 2021 and 31 December 2022, the Group has accounted for the below acquisitions as business combination under common control:

(a) Acquisition of hospitality assets

The Group has entered into assets transfer agreement ("the Agreement") with a government body. Upon execution of the Agreement, one of the Group's subsidiaries, acquired properties on 30 September 2022 (collectively referred to as "the Hospitality Properties") at a total agreed in-kind capital contribution of SAR 3,519 million.

These Hospitality Properties represent an acquisition of a business, except for two non-operational properties which are recorded as assets acquisition.

The acquisition of the Hospitality Properties, apart from the two properties noted above, have been recognized as a business combination under common control given the ultimate shareholding is retained by the government of the Kingdom of Saudi Arabia before and after the business combination. The Group has accounted for the assets and liabilities acquired at their respective carrying values. The carrying value of Hospitality Properties' assets and liabilities at time of acquisition amounted to SAR 4,443 million and SAR 924 million, respectively.

The acquisition of assets and liabilities in the Hospitality Properties is a non-cash flow transaction and consequently does not impact the consolidated statement of cash flows apart from the cash acquired of SAR 603 million.

(b) Acquisition of Diriyah Gate Company Limited ("DGCL")

Based on a Royal Decree, a government authority ("Authority") has transferred the assets and liabilities of DGCL to the Group without consideration on 31 August 2022 as the transfer date. The total agreed in-kind capital contribution of the transfer amounted to SAR 3,059 million.

The transfer of business has been considered as a common control transfer, as the ultimate shareholding is retained by the government of the Kingdom of Saudi Arabia before and after the business combination. The Group has accounted for the assets and liabilities acquired at their respective carrying values. The carrying value of DGCL's assets and liabilities at time of acquisition amounted to SAR 12,971 million and SAR 9,912 million, respectively.

(c) Elm Company (formerly known as Al Elm Information Security Company) ("ELM")

Up and until 25 November 2021, the Group had significant influence on Elm as the Group had 100% shareholding and a right to vote at extra ordinary general meeting of Elm. Previously, Elm's Board of Directors were composed of directors from a Government body and the Fund. The Government body's representation at the board of directors is more than that of the Fund. However, on 25 November 2021, through the amendment of by-laws, PIF as the shareholder has the right to appoint all members of the Board of Directors and accordingly has sufficient voting rights to control the relevant activities of Elm. Accordingly, Elm is classified as a subsidiary effective 25 November in these consolidated financial statements with total assets value of SAR 4,985 million at the date of classification.

(d) Saudi Railway Company ("SAR")

Based on a Royal decree certain projects and assets under (Saudi Rail Organization ("SRO")) were transferred to Saudi Railway Company as on 1 April 2021. This was in continuation to the Council of Ministers Resolution dated 8 Ramadhan 1437H (corresponding to 13 June 2016) based on which the SAR shall be the owner of all railway infrastructure projects interlinking cities in the Kingdom of Saudi Arabia. Given the transfer of operations of SRO alongside its assets, these were therefore recognized as a result of business combination representing common control transactions at their respective carrying values. As no consideration has been paid by SAR for this transaction therefore the transferred values have been recognized as additional capital contribution from Owner.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***45. BUSINESS COMBINATION (continued)****45.5 Business combinations under common control (continued)****(d) Saudi Railway Company ("SAR") (continued)**

As a result, the following assets were transferred to SAR during the year ended 31 December 2021:

Assets

Property, plant and equipment	3,119
Investment properties	2,637
Deposit with Central Bank	214
Inventories	391
Total assets	6,361

(e) Saudi Agriculture and Livestock Investment Company (SALIC)

During the year ended 31 December 2021, Public Investment Fund (PIF) transferred its investments in National Agricultural Development Company ("NADEC") and Saudi Fisheries Company to SALIC in support for SALIC's mission as the Group's arm in the food and agriculture sector. The transfer took place using the predecessor approach of accounting, in which the investment was transferred to SALIC at their carrying value in PIF's books at the effective date of transfer, amounting to SAR 718 million.

(f) Merger of SNB Capital Company (formerly known as NCB Capital) and Samba Capital

Pursuant to merger agreement executed between the Bank and Samba (refer to note 45.1), the Board of the Directors of SNB Capital Company ("SNBC") (a subsidiary of the Bank), on February 4, 2021, resolved for the Company to consider and pursue merger discussions with Samba Capital & Investment Management Company ("Samba Capital"). All the requisite legal and regulatory formalities in this regard were completed on July 09, 2021, which represents the effective date of the merger between SNBC and Samba Capital and pursuant to which Samba Capital ceased to exist and all of its assets and liabilities were transferred to SNBC. Prior to the merger, SAMBA Capital was a subsidiary of the Bank as a result of its merger with Samba. Since this merger represents a business combination transaction under common control and SNBC has opted, as an accounting policy, to apply the book value method of accounting therefore, it did not have an impact on Group's consolidated financial statements. Moreover, subsequent to the merger the name of NCB Capital Company has been changed to SNB Capital. Pursuant to foregoing, SNB Capital also acquired two special purpose entities namely Samba US Logistics Fund L.P., an exempted limited partnership, registered on 9 September 2020, and Samba US Logistics Fund G.P. an exempted company, incorporated on 7 July 2020 which were subsidiaries of SAMBA Capital prior to the merger. These entities are governed under the laws of Cayman Island and are formed for the purpose of holding and managing principal investments.

46. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***46. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES (continued)****(b) Classification of investment in SoftBank Fund**

The Group assesses the classification of its interest in SoftBank Fund to determine whether in accordance with the terms of the investment agreement the Group has control or significant influence over the SoftBank Fund.

The assessment of 'control' requires the Group to evaluate whether the Group has the power to direct the financial and operational policies of the SoftBank Fund, is exposed to and has rights to variable returns from the SoftBank Fund and also has the ability to affect those returns through its power over the SoftBank Fund. The assessment of 'significant influence' requires the Group to evaluate whether the Group has the power to participate in the financial and operational policies of the SoftBank Fund, but no control or joint control.

Based on the assessment performed, the Group does not have control or significant influence over the SoftBank Fund; accordingly, the Group has classified its investment in the SoftBank Fund at fair value through profit or loss and amortized cost in accordance with the requirements of IFRS 9 'Financial Instruments'.

In reaching this conclusion, following are some of the key factors identified as part of the Group's investment in the SoftBank Fund:

- the Group is the limited partner;
- the General Partner has the right to make and amend the financial and operating policies; and
- limited or no right of the Group to remove general partner from the position of SoftBank Fund Manager.

The table below summarizes the structured entities the Group has interest in:

Type of structured entity	Nature	Purpose	Interest held by the Group
Limited Partnership	Manage Limited Partners' funds through the investment in assets	To provide Limited Partners with a return by means of medium to long-term capital growth	Investment in units issued by the SoftBank Fund

The table below presents the Group's interests in and maximum exposure to loss from the Group's interest in unconsolidated structured entities as at:

Classification in Consolidated

financial statements	Amount			Maximum exposure to loss		
	31 Dec	31 Dec	1 Jan	31 Dec	31 Dec	1 Jan
	2022	2021	2021	2022	2021	2021
Investment securities	88,756	130,411	144,159	88,756	130,411	144,159

During the year, interest income amounting to SAR 3,262 million (2021: SAR 4,369 million) was earned from investment securities measured at amortized cost and net loss of SAR 33,783 million (2021: net gain of SAR 14,799 million) was recognized from investment securities measured at FVTPL.

The Group has additional investment commitments amounting to SAR 21,374 million (as at 31 December 2021: 21,400 million; as at 1 January 2021: SAR 25,500 million) for SoftBank Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. 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.

47.1 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the 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

<i>As at 31 December 2022</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
i) Derivative financial assets				
Derivatives held for trading	-	22,016	-	22,016
Derivatives held as cash flow hedges	-	368	-	368
Derivatives held for fair value hedges	-	2,460	-	2,460
	-	24,844	-	24,844
ii) Financial assets measured at fair value through profit or loss				
Equities	130,364	1,035	33,379	164,778
Fixed rate debt securities	189	1,933	10,513	12,635
Floating rates securities	-	248	-	248
Mutual Funds, Hedge Funds and Others (Structured investments)	5,671	155,201	207,814	368,686
	136,224	158,417	251,706	546,347
iii) Financial instruments at fair value through OCI				
Equities	341,344	146	35,027	376,517
Fixed rate debt securities (net)	32,095	30,080	-	62,175
Floating rate debt securities	17,082	3,191	10	20,283
	390,521	33,417	35,037	458,975
iv) Trade receivables carried at fair value⁽¹⁾	-	3,540	-	3,540
v) Other financial assets⁽²⁾	110	4,983	-	5,093
Total assets measured at fair value on a recurring basis	526,855	225,201	286,743	1,038,799

<i>As at 31 December 2021</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
i) Derivative financial assets				
Derivatives held for trading	-	9,731	-	9,731
Derivatives held as cash flow hedges	-	111	-	111
Derivatives held for fair value hedges	-	94	-	94
	-	9,936	-	9,936

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. FAIR VALUES (continued)****47.1 Fair value hierarchy (continued)****(a) Assets measured at fair value on a recurring basis (continued)**

<i>As at 31 December 2021</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
ii) Financial assets measured at fair value through profit or loss				
Equities	82,927	4,429	30,313	117,669
Fixed rate debt securities	512	2,179	11,215	13,906
Floating rates securities	-	131	-	131
Mutual Funds, Hedge Funds and Others (Structured investments)	16,828	177,815	199,993	394,636
	100,267	184,554	241,521	526,342
iii) Financial instruments at fair value through OCI				
Equities	68,382	127	28,621	97,130
Fixed rate debt securities (net)	37,383	23,636	-	61,019
Floating rate debt securities	6,633	8,878	-	15,511
	112,398	32,641	28,621	173,660
iv) Trade receivables carried at fair value⁽¹⁾	-	2,973	-	2,973
v) Other financial assets⁽²⁾	106	4,499	-	4,605
Total assets measured at fair value on a recurring basis	212,771	234,603	270,142	717,516
<i>As at 1 January 2021</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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
	-	9,580	-	9,580
ii) Financial assets measured at fair value through profit or loss				
Equities and mutual funds	76,295	189,767	151,376	417,438
Fixed rate debt securities	764	8,028	961	9,753
	77,059	197,795	152,337	427,191
iii) Financial instruments at fair value through OCI				
Equities	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
	106,404	8,121	19,837	134,362
iv) Trade receivables carried at fair value⁽¹⁾	-	1,456	-	1,456
Total assets measured at fair value on a recurring basis	183,463	216,952	172,174	572,589

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

47. FAIR VALUES (continued)

47.1 Fair value hierarchy (continued)

(a) Assets measured at fair value on a recurring basis (continued)

- (1) Refer to [note 20](#).
- (2) Include investments which are held under a fair value hedge relationship classified as investments held at amortized cost amounting to SAR 6,671 million (as at 31 December 2021: SAR 4,491 million; as at 1 January 2021: SAR 4,145 million). As at 31 December 2022, the fair value of these investments amounts to SAR 4,924 million (as at 31 December 2021: SAR 4,441 million; as at 1 January 2021: SAR 4,976 million). It also includes certificates of deposit and commercial paper held with cash and deposits with banks measured at fair value amounting to SAR 169 million (as at 31 December 2021: SAR 164 million; as at 1 January 2021: SAR nil).

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

As at 31 December 2022				
	Level 1	Level 2	Level 3	Total
i) Derivative financial liabilities				
Derivatives held for trading	-	21,020	527	21,547
Derivatives held as cash flow hedges	-	969	-	969
Derivatives held for fair value hedges	-	495	-	495
Derivatives – Total	-	22,484	527	23,011
ii) Other liabilities (NCI put options)	-	-	523	523
Total liabilities measured at fair value on a recurring basis	-	22,484	1,050	23,534
As at 31 December 2021				
	Level 1	Level 2	Level 3	Total
i) Derivative financial liabilities				
Derivatives held for trading	-	8,761	5,231	13,992
Derivatives held as cash flow hedges	-	327	4	331
Derivatives held for fair value hedges	-	1,859	-	1,859
Derivatives – Total	-	10,947	5,235	16,182
ii) Other liabilities (NCI put options)	-	-	42	42
Total liabilities measured at fair value on a recurring basis	-	10,947	5,277	16,224
As at 1 January 2021				
	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
ii) Other liabilities (NCI put options)	-	-	99	99
Total liabilities measured at fair value on a recurring basis	-	12,499	114	12,613

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. FAIR VALUES (continued)****47.2 Reconciliation of opening and closing amounts of financial instruments classified within level 3**

<i>For the year ended 31 December 2022</i>			
<i>Description</i>	<i>Financial assets at fair value through profit or loss (Assets)</i>	<i>Financial assets at fair value through OCI (Assets)</i>	<i>Financial liabilities at fair value (Liabilities)</i>
As at 1 January	241,521	28,621	5,277
Purchase	63,979	7,360	-
Sales	(17,336)	(489)	-
Issuance	-	-	468
Settlements	(17)	-	12
Acquired through business combination	957	-	-
Total gain or losses:			
In statement of profit or loss	(37,465)	-	(4,703)
In Other comprehensive income	-	(931)	-
Exchange rate differences and other movement	67	476	(4)
At 31 December	251,706	35,037	1,050

<i>For the year ended 31 December 2021</i>			
<i>Description</i>	<i>Financial assets at fair value through profit or loss (Assets)</i>	<i>Financial assets at fair value through OCI (Assets)</i>	<i>Financial liabilities at fair value (Liabilities)</i>
As at 1 January	152,337	19,837	114
Purchase	65,174	6,829	-
Sales	(21,410)	(95)	-
Issuance	-	-	3,045
Settlements	(172)	-	(36)
Transfer from Level 3	-	(1,832)	-
Acquired through business combination	2,082	88	-
Total gain or losses:			
In statement of profit or loss	37,948	-	1,857
In Other comprehensive income	-	3,719	(11)
Exchange rate differences and other movement	5,562	75	308
At 31 December	241,521	28,621	5,277

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. FAIR VALUES (continued)****47.3 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 investment managers is to invest in quoted equities, those investment funds and investment securities are categorized as level 2, all others are categorized as level 3.

Significant unobservable inputs embedded in the models used by the fund managers/administrators include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

For assets and liabilities that are recognized in the 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. FAIR VALUES (continued)****47.4 Significant un-observable inputs in level 3 instrument valuations**

<i>Financial instrument</i>	<i>Valuation technique</i>	<i>Unobservable input</i>	<i>Range (weighted average)</i>		
			<i>as at</i>		
			<i>31 December 2022</i>	<i>31 December 2021</i>	<i>1 January 2021</i>
Unquoted equities	Discounted cash flows	Discount rate	11.0% - 15.0%	10.8% - 14%	5.59% - 60%
		Long term growth rate	2.0% - 5.0%	2.2% - 4.0%	n/a
		DLOM	n/a	n/a	32%
		Terminal value multiple	n/a	n/a	11x to 16x
	Market approach	EV/ LTM EBITDA multiple	9.6x – 42.3x	21.4x – 49.9x	n/a
		DLOM	n/a	n/a	13.1%
Managed funds and similar securities	Net assets value	Underlying valuations performed by the investment manager	n/a	n/a	n/a
Convertible notes	Binominal option pricing model	Price volatility of the underlying asset	30.37% - 38.52%	29.2% - 37.6%	n/a
		Credit Spread	717 – 1,078 bps	561 – 1,282 bps	n/a
	Discounted cash flows	Discount rate	n/a	n/a	2.8% - 60%
		DLOM	n/a	n/a	32%
Investment properties	Market approach	Adopted Sales Rate	0.5 – 21,300 SAR/sqm	105 – 4,200 SAR/sqm	190.6 - 3,439 SAR/sqm
	Discounted cash flows	Discount rate	7.0% - 16.0%	7.8% - 14.5%	8.25% - 14.0%

Significant unobservable inputs were applied in the valuation of managed funds and unquoted equities for the years ended 31 December 2022 and 31 December 2021 and the impact of the sensitivity is not material.

For other financial instruments such as cash and deposits with banks and other financial institutions, trade receivables, other assets, and trade and other payables, the fair values approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of due from banks and other financial institutions, due to banks and other financial institutions, customers' deposits, bonds and Sukuk, loans and borrowings, promissory note and debt securities issued as at 31 December 2022, 31 December 2021 and 1 January 2021 are not materially different from their respective carrying values included in the consolidated financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of due from and due to banks and other financial institutions.

The fair value of Group's financing and advances as at 31 December 2022 on a business as usual basis applying the guidance of IFRS 13 was approximately 3.3% lower than (as at 31 December 2021: 0.6% higher than; as at 1 January 2021: 3% higher than) the corresponding carrying value.

There were no transfers between level 1 and level 2 during the years ended 31 December 2022 and 31 December 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***47. FAIR VALUES (continued)****47.5 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.

<i>Category</i>	<i>Description</i>	<i>Fair value or Nominal value disclosure</i>
Reliable	Land which can be reliably valued and is: a) Property for which there is an Active Market for the current use, or b) Development of a land where there are no material matters to be resolved before the development can be completed in accordance with the Master Plan and where there is an Active Market for the completed development, or c) Land held for an Intended Use which will provide social or political benefits but for which there is no Active Market and which is expected to be held for that purpose for the foreseeable future.	Fair value
Not Reliable	Land which cannot be reliably valued and is: a) Land acquired for long term strategic improvement or for social or political objectives but for which there is not currently a Master Plan approved or under preparation, and for which there is no Active Market, or b) Land where the potential for a future beneficial use has been identified but there remains significant uncertainty as to whether this will be physically possible, economically feasible and legally permissible.	Nominal value
Undetermined	This category is for land, which does not meet the criteria for inclusion in either Category A (Reliable) or B (Not Reliable). Examples that will fall into this Category include: a) Property for which a Master Plan is still at an early stage of development but that is in a location where there is an Active Market, i.e. market participants would perceive that Economic Benefits could be obtained regardless of the details of the permitted or Intended Use b) Property for which a Master Plan is being prepared but where the exact scale, use and timing of the different elements of that plan are still to be resolved c) Property for which a Master Plan is at an advanced stage of preparation and can reasonably be expected to be approved but where some material details need to be confirmed, or investigations completed All properties in Category "Undetermined" requires further analysis by an external valuer to determine whether it is capable of reliable valuation.	If capable of reliable valuation it is disclosed at fair value. If not, it is reported at nominal value

The fair value of the investment properties is determined based on a market approach (comparable land sales) and an income approach (discounted cash flow or residual value analysis based on a development masterplan or land subdivision).

The market value of the investment properties is assessed and reported in accordance with the International Valuation Standards (IVS) as published by the International Valuation Standards Council (IVSC). The valuation of individual holdings is based on the specific circumstances and facts pertaining to the property and utilizes a market approach (comparable lands sales) and/or an income approach (residual land value approach).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

47. FAIR VALUES (continued)

47.5 Fair value determination and disclosure of Land (continued)

Special assumptions were considered in the valuation of certain lands. These special assumptions include: (1) the sites are above sea level, (2) properties are clear, vacant undeveloped land, (3) portion of land is a lake which will be deducted from the overall area of the property, and (4) the properties are not subject to the restrictions imposed by the Government and thus could be sold in the open market.

Market approach

The market approach derives the value of the Property by comparing it to other properties for which the price is known. Ideally, the property is compared and contrasted to identical properties which have recently been sold, or where no recent transactions have taken place, the asking (quoting) price at which the comparable properties, in proximity to the asset being valued are currently listed for sale. Adjustments may be required to reflect the period of time that has passed between the transaction date and the date of valuation or the price that is expected to be achieved following a negotiated sale. Following an analysis on the terms of the sale, an appropriate unit of comparison is chosen, for example, a rate per square meter of land/buildings. Further subsequent adjustments may be required to factor in differences in location, size (quantum), quality and specification, condition, permitted use, etc. and any instructions received which are specific to the assignment. Additional sources may be used such as Ministry of Justice data, General Authority for Statistics Index, etc.

Income approach (residual method)

The residual valuation method may be based on either a static model or discounted cash flow approach. In each instance, this method entails estimating the gross realization from the sale of the proposed development, which may be carried out using the comparable or investment or profits methods. From this is deducted the current estimated cost to develop the project including a developer's margin to arrive at a resultant residual value. In summary, the valuation approach is: gross development value minus [outstanding development costs and developers margin] equals residual value.

The residual cash flow approach takes into account the time value of money concept where future cash flows are discounted at a market-based target rate of return that takes into account the risk factors for each asset. The residual method is very sensitive and even a minor change in the inputs can have a significant impact on the reported value.

In some instances, due to the size of land assets and lack of comparable evidence, the residual method of valuation is preferred on the basis of a hypothetical sub-division and sale of serviced smaller plots over a period of time based on comparable evidence.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***48. SUBSEQUENT EVENTS**

The following are the significant events which occurred subsequent to 31 December 2022:

- (a) During 2023, Aramco paid off promissory notes totaling SAR 86,250 million, in face value, that were due to mature after 2023. The early payment generated SAR 75,730 million in proceeds, resulting in a loss on prepayment of SAR 5,869 million.
- (b) The Owner transferred 8,000 million shares of Aramco to the Group which represents 4% ownership and has a fair value of SAR 291,280 million on the date of transfer.
- (c) The Group completed its second green bond issuance which raised SAR 20,625 million (equivalent to US \$5,500 million) in accordance with its Green Finance Framework.
- (d) Saudi Telecom Company (stc), a subsidiary of the Group, through one of its subsidiaries (Telecommunications Towers Company (TAWAL)) signed a sale and purchase agreement to acquire three towers companies from United Group in Bulgaria, Croatia and Slovenia countries for a cash consideration amounting to approximately SAR 5,000 million (equivalent to Euro €1,220 million). The sale and purchase agreement is subject to certain of pre-closing conditions, including obtaining the approval from regulatory authorities from respective countries.
- (e) The Group, through one of its subsidiary, has signed agreements to purchase up to 72 airplanes with a deal value of circa SAR 43,875 million (equivalent to US \$11,700 million) at list prices. The agreement includes 39 confirmed aircraft with an option to acquire 33 additional airplanes (including spare engines).
- (f) The Group, through one of its subsidiaries in gaming industry, has entered into a contract to acquire "Scopely, Inc", a company based in the USA. Scopely is an interactive entertainment company and mobile-first video game developer and publisher. The deal is expected to close in in Q3 of 2023, whereby the Group will acquire 100% stake in Scopely for an expected consideration of SAR 18,375 million (equivalent to US \$4,900 million).
- (g) The Group, through one of its subsidiaries which is in the business of aircraft leasing, has signed contracts with an airline and an aircraft leasing company to acquire 33 aircrafts worth SAR 6,300 million.
- (h) PIF, PGA Tour and DP World Tour have announced a landmark agreement to unify the game of Golf, on a global basis. The parties have signed an agreement that combines PIF's golf related commercial business and rights (including LIV Golf) with the commercial businesses and rights of PGA TOUR and DP World Tour into a new, collectively owned, for profit entity.
- (i) Water & Electricity Holding Company, a wholly owned subsidiary of PIF, and ACWA Power Company ("ACWA"), an associate of the Group, have signed power purchase agreements for three large-scale photo voltaic (PV) Solar Plants with the Saudi Power Procurement Company (SPPC) with the contract duration of 35 years and the contract value of SAR 12,187 million in aggregate.
- (j) The Group obtained 75% ownership of four Saudi football clubs, namely Al Ittihad, Al Ahli, Al Nassr and Al Hilal. The Group is working closely with Ministry of Sports on all the necessary regulatory procedures to complete the transfer of these clubs to the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***49. COVID IMPACT**

The economy has successfully bounced back from the effects of COVID-19, with strong GDP growth estimates for both this year and next year. On 5 May 2023, the World Health Organization (WHO) has declared that Covid-19 no longer represents a "global health emergency". While the economy displays a healthy level of growth and activity, the group will continue to closely monitor economic indicators regularly.

50. NEW OR AMENDED STANDARDS

The new and amended standards and interpretations, as endorsed in the Kingdom, that are issued up to the date of issuance of the Group's consolidated financial statements are disclosed below and divided into newly currently effective standards, interpretations and amendments applied by the Group (note 50.1) and new standards, interpretations and amendments issued but not yet effective (note 50.2).

50.1 New currently effective standards applied by the Group

This note lists the recent changes to the accounting standards that are required to be applied by the Group. The Group has applied for the first time the following IASB pronouncement, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2022. These amendments had no material impact on the consolidated financial statements of the Group as at the reporting date.

(a) 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.

(b) 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. There is no impact as the Group already applies the 'full cost' approach.

(c) 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. There is no impact as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)*(All amounts in million SAR unless otherwise stated)***50. NEW OR AMENDED STANDARDS (continued)****50.1 New currently effective standards applied by the Group (continued)****(d) 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. There were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

(e) 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. There were no modifications of the Group's financial instruments during the period.

(f) 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.

(g) 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 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. There were no subsidiaries, associates and joint ventures as a first-time adopters.

50.2 New or amended standards issued but not yet 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

50. NEW OR AMENDED STANDARDS (continued)

50.2 New or amended standards issued but not yet effective (continued)

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts in million SAR unless otherwise stated)

50. NEW OR AMENDED STANDARDS (continued)

50.2 New or amended standards issued but not yet effective (continued)

(f) 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.