MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

Independent auditor's report
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Qualified Opinion
We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company Saudi Arabia (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("IFRS as endorsed by SOCPA").

Basis for Qualified Opinion
As at 31 December 2022, the consolidated financial statements included 'Right of use assets' amounting to SR 790 million (2021: SR 1,331 million), 'Lease liabilities' of SR 680 million (2021: SR 1,473 million), 'Finance cost' of SR 76 million (2021: SR 73 million), 'Amortization of right of use assets' of SR 195 million (2021: SR 415 million) and 'Right of use assets - held for sale' and 'Lease liabilities - held for sale' of SR 1,000 million and SR 802 million respectively. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of 'Right of use assets', 'Lease liabilities', and 'Right of use assets - held for sale' and 'Lease liabilities - held for sale' as at 31 December 2022 and 31 December 2021 and related 'Finance cost' and 'Amortization of right of use assets' for the years ended 31 December 2022 and prior years, because of the unavailability of auditable information as of the date of our report. Consequently, we are not able to conclude whether any adjustments to the consolidated financial statements and related disclosures may have been necessary for the years ended 31 December 2022 and 31 December 2021 and prior years.

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 is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition	
The Group's revenue consists primarily of subscription fees for telecommunication, data packages and use of the network totalling SR 9.1 billion for the year ended 31 December 2022. We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and estimates. Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved. *Refer to note 4 for the accounting policy related to revenue recognition and note 23 for the related disclosures.*	Our audit procedures included, among others, the following: • Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition. • Assessed the Group's revenue recognition policies, for compliance with IFRS as endorsed by SOCPA. • Inspected a sample of revenue reconciliations prepared by management between the primary billing system and the general ledger. • Tested, on sample basis, the accuracy of customer invoice generation and tested a sample of the credits and discounts applied to customers invoices. • Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances. • Assessed the adequacy of the relevant disclosures in the consolidated financial statement.

Independent auditor's report (continued)
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of property and equipment and intangible assets	
As at 31 December 2022, the Group's consolidated financial position included property and equipment amounting to SR 4.93 billion and intangible assets amounting to SR 14.97 billion. At each reporting date, the Group's management assesses whether there is any indication that property and equipment and intangible assets may be impaired. This involves significant judgments in respect of factors such as technological changes, challenging economic conditions, changing regulatory environment and restrictions, operating or capital costs and other economic assumptions used by the Group. We considered this as a key audit matter as it involves management's assumptions and estimates as well as the materiality of the amounts involved. *Refer to note 5 and note 4 for the accounting and critical judgements and policies related to valuation of property and equipment and intangible assets.*	Our audit procedures performed included, among others, the following: • Assessed the Group's impairment policies for property and equipment and intangible assets, for compliance with IFRS as endorsed with SOCPA. • Assessed the appropriateness of management's determination of CGUs, based on the requirements of International Accounting Standard ("IAS") 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia. • Evaluated management's procedures in identifying impairment indicators in respect of the related CGUs. • Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amount of the Group's CGUs, including those relating to projected forecasts. • Involved our internal experts to validate the mathematical accuracy and the assumptions used by management in the impairment models. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

Independent auditor's report (continued)
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalization of property and equipment	
The Group has a material capital expenditure plan and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment. Costs related to upgrading or enhancing networks are treated as capital expenditures while expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Accordingly, the assessment and timing of whether assets meet the capitalization criteria set out in IAS 16 Property, Plant and Equipment requires judgement. We consider this as key audit matter since it involves management's assumptions as well as materiality of the amounts involved. *Refer to note 4 for the accounting policy related to property and equipment and note 11 and 13 for the related disclosures.*	Our audit procedures performed included, among others, the following: • Tested the design, implementation and operating effectiveness of key controls in place over the capitalization of property and equipment. • Assessed the Group's capitalization policy, for compliance with IFRS as endorsed by SOCPA. • Tested, on sample basis, costs capitalized are in accordance with the approved budged for capital expenditure for the year and the related supporting documents. • Tested, on sample basis, capitalization of expenses in compliance with the Group's capitalization policy. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 2 Rajab 1443H (corresponding to 3 February 2022).

Other information included in The Group's 2022 Annual Report
Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report (continued)
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company'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 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

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Independent auditor's report (continued)
To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

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

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 year 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.

for Ernst & Young
Professional Services

Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

Riyadh: 10 Ramadan 1444H
(1 April 2023)

CR 1010383821
Ernst & Young Professional Services
(Professional LLC)

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	**31 December 2022**	31 December 2021
ASSETS			
Current assets			
Inventories	9	**146,679**	213,723
Contract assets	8	**150,971**	67,224
Trade and other receivables	7	**3,990,264**	2,988,348
Cash and cash equivalents	6	**375,430**	511,977
		4,663,344	3,781,272
Assets held for sale	37	**2,362,509**	-
Total current assets		**7,025,853**	3,781,272
Non-current assets			
Property and equipment	11	**4,925,591**	6,639,995
Intangible assets	13	**14,966,922**	15,561,044
Right-of-use assets	10	**789,866**	1,330,975
Capital advances	12	**191,835**	274,841
Contract assets	8	**344,897**	288,822
Derivative financial instruments	19	**110,872**	-
Total non-current assets		**21,329,983**	24,095,677
TOTAL ASSETS		**28,355,836**	27,876,949
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	14	**5,467,330**	4,691,199
Deferred income and contract liabilities	8	**351,251**	601,049
Borrowings	15	**836,800**	3,213,549
Lease liabilities	16	**109,820**	263,771
Due to related parties	17	**1,319,857**	1,530,090
		8,085,058	10,299,658
Liabilities directly associated with assets held for sale	37	**801,950**	-
Total current liabilities		**8,887,008**	10,299,658
Non-current liabilities			
Long-term borrowings	15	**5,171,069**	2,638,024
Lease liabilities	16	**569,991**	1,208,774
Other non-current liabilities	18	**3,766,614**	4,445,416
Derivative financial instruments	19	**-**	110,123
Employees' end of service benefits obligation	20	**161,286**	135,434
Total non-current liabilities		**9,668,960**	8,537,771
TOTAL LIABILITIES		**18,555,968**	18,837,429
EQUITY			
Share capital	22	**8,987,292**	8,987,292
Hedging reserve	19	**110,872**	(110,123)
Other reserve	20	**(8,247)**	2,066
Statutory reserve		**76,397**	21,430
Retained earnings		**633,554**	138,855
Total equity		**9,799,868**	9,039,520
TOTAL LIABILITIES AND EQUITY		**28,355,836**	27,876,949

Mehdi Khalfaoui **CFO**	**Sultan Al-Deghaither** **CEO**	**Naif bin Sultan bin Mohammed bin Saud Al Kabeer** **Chairman**

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2022	2021
Revenue	23	**9,075,172**	7,900,646
Cost of revenue	24	**(3,759,802)**	(3,016,051)
Gross Profit		**5,315,370**	4,884,595
Distribution and marketing expenses	25	**(1,574,228)**	(1,466,549)
General and administrative expenses	26	**(371,499)**	(282,738)
Depreciation and amortization	10,11,13	**(2,065,740)**	(2,429,597)
Expected credit loss (ECL)	7,8	**(214,792)**	(6,971)
Operating profit		**1,089,111**	698,740
Finance income		**10,331**	1,319
Other income	27	**48,369**	20,379
Finance cost	28	**(573,836)**	(489,158)
Profit before Zakat		**573,975**	231,280
Zakat	29	**(24,309)**	(16,978)
Profit for the year		**549,666**	214,302
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' end of service benefits obligation	20	**(10,313)**	48
Item that may be reclassified subsequently to profit or loss:			
Fair value change in hedging instruments entered into for cash flow hedges	19	**220,995**	96,087
Total other comprehensive income		**210,682**	96,135
Total comprehensive income for the year		**760,348**	310,437
Earnings per share (in Saudi Riyals)			
Basic and diluted	30	**0.61**	0.24

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserve	Statutory reserve	Retained earnings	Total
Balance at 1 January 2022	**8,987,292**	**(110,123)**	**2,066**	**21,430**	**138,855**	**9,039,520**
Profit for the year	-	-	-	-	**549,666**	**549,666**
Other comprehensive income	-	**220,995**	**(10,313)**	-	-	**210,682**
Total comprehensive income for the year	-	**220,995**	**(10,313)**	-	**549,666**	**760,348**
Transfer to statutory reserve	-	-	-	**54,967**	**(54,967)**	-
Balance as at 31 December 2022	**8,987,292**	**110,872**	**(8,247)**	**76,397**	**633,554**	**9,799,868**
Balance at 1 January 2021	8,987,292	(206,210)	2,018	-	(54,017)	8,729,083
Profit for the year	-	-	-	-	214,302	214,302
Other comprehensive income	-	96,087	48	-	-	96,135
Total comprehensive income for the year	-	96,087	48	-	214,302	310,437
Transfer to statutory reserve	-	-	-	21,430	(21,430)	-
Balance as at 31 December 2021	8,987,292	(110,123)	2,066	21,430	138,855	9,039,520

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**573,975**	231,280
Adjustments to reconcile profit for the year before zakat to net cash from operating activities:			
Expected credit loss	7,8	**214,792**	6,971
Depreciation and amortization	10,11,13	**2,065,740**	2,429,597
Other provisions		**(199,667)**	(189,449)
Other gain – net		**(49,716)**	-
Reversal of inventory provision		**(3,986)**	(679)
Finance costs	28	**573,836**	489,158
Gain on disposal of property and equipment		**(752)**	(3,358)
Foreign currency loss		**2,101**	3,251
Gain on modification of borrowings		**(1,388)**	-
Employees' end-of-service benefits obligation charge	20	**25,356**	22,528
		3,200,291	2,989,299
Changes in working capital			
Trade and other receivables		**(1,030,078)**	(977,302)
Inventories		**71,030**	(25,941)
Movement of cash under lien		**3,720**	215,819
Contract assets		**(139,822)**	(39,524)
Trade and other payables		**745,492**	19,508
Deferred income and contract liabilities		**(249,798)**	56,963
Other non-current liabilities		**(678,802)**	(652,192)
Cash flows generated from operations		**1,922,033**	1,586,630
Zakat paid	29	**-**	-
Employees' end of service benefits obligation paid	20	**(9,818)**	(12,176)
Net cash generated from operating activities		**1,912,215**	1,574,454
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(922,990)**	(917,494)
Proceed from disposal of property and equipment	11	**2,252**	3,364
Proceed from sale of subsidiary		**10**	-
Purchase of intangible assets	13	**(423,468)**	(171,301)
Net cash used in investing activities		**(1,344,196)**	(1,085,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(3,216,800)**	-
Proceeds from borrowings		**3,320,000**	1,990,432
Payment against amount due to related parties		**-**	(1,063,513)
Payment of lease liabilities	16	**(489,405)**	(427,517)
Finance cost paid		**(312,540)**	(1,360,778)
Net cash used in financing activities		**(698,745)**	(861,376)
Net change in cash and cash equivalents		**(130,726)**	(372,353)
Effect of movements in exchange rates on cash and cash equivalents		**(2,101)**	(3,252)
Cash and cash equivalents at beginning of the year		**507,189**	882,794
Cash and cash equivalents at end of the year	6	**374,362**	507,189

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

(All amounts in Saudi Riyals thousands unless otherwise stated)

Non-Cash Transactions:

	2022	2021
Adjustment to property and equipment with corresponding to trade payables and capital advances	**334,413**	100,047
Adjustment to intangible assets with corresponding to trade payables	**237,985**	142,585
Changes in fair value of derivative financial instruments	**220,995**	48,475
Transfer to Assets held for sale	**2,362,509**	-
Addition to right of use assets	**(441,923)**	(358,156)

Mehdi Khalfaoui **CFO**	**Sultan Al-Deghaither** **CEO**	**Naif bin Sultan bin Mohammed bin Saud Al Kabeer** **Chairman**

1 ORGANIZATION AND ACTIVITIES

1.1 *General Information*

The Company is a "Saudi Joint Stock Company" established pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I' 1428H (corresponding to 11 June 2007) and No. 357 dated 28 Dhu Al-Hijjah 1428H (corresponding to 7 January 2008), Royal Decree No. 48/M dated 26 Jumada I' 1428H (corresponding to 12 June 2007), the Commercial Registration No. 1010246192 issued in Riyadh, Kingdom of Saudi Arabia (KSA) on 4 Rabi I' 1429H (corresponding to 12 March 2008) to operate as the 3rd GSM public mobile cellular and the Company obtained technology neutral license in the Kingdom of Saudi Arabia for twenty five (25) years.

Mobile Telecommunications Company Saudi Arabia (the "Company") along with its subsidiaries (together the "Group"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, sells, distributes, delivers, installs, manages and maintains mobile telephone services and equipment. As well, the Group provides consulting services; constructs and repair telecom towers; provides fintech services and provide technical drones services along with selling and repairing as mentioned in note 1.2.

The registered address of the Company is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. Kuwait ("Zain Group"). Zain Group ultimate parent company is Oman Telecommunications Company SAOG, Oman.

The Group realized net profit for the year ended 31 December 2022, SR 550 million (31 December 2021: SR 214 million) and had retained earnings of SR 634 million as at 31 December 2022 (31 December 2021: SR 139 million) and the current liabilities of the Group exceed the current assets of the Group by SR 1.86 billion (2021: SR 6.5 billion) which includes SR 1.32 billion related to due to related parties (refer note 17). Based on the latest approved business plan, the Group's management believes that the Group will be successful in meeting its obligations in the normal course of operations considering the unutilized portion of the Syndicated Murabaha Facility amounting SR 0.48 billion (refer note 15-1). The Management of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1.2 *subsidiaries*

The Company established the following fully owned subsidiaries in KSA:

a. Zain Sales Company is engaged in distributing, selling telecom equipment and handsets; and providing consulting services. Share capital SR 10,000. The company started its operation in the first quarter of 2019.
b. Zain Payments Company-Tamam is engaged in providing fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019. On 9 April 2021, the Company has increased its share capital amounting to SR 57 million. On 6 October 2022, the company increased its share capital by SR 91 million to reach SR 148 million.
c. Zain Drones Company is engaged in providing professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

1.3 *Sale of subsidiary*

The Company sold 100% shareholding of Zain Business Company Limited, equivalent to 1,000 shares at SR 10 par value, during the year with a value of SR 10,000; resulting in gain on sale amounting to SR 4,750.

1 ORGANIZATION AND ACTIVITIES (continued)

1.4 *Agreement for sale of Tower*

The Group has received unanimous approval of the Board of Directors, after excluding the following members: H.H. Prince Naif bin Sultan, Mr. Raied AlSaif, Mr. Saud AlBawardi, and Mr. Hisham Attar from voting on the offers because they are related parties once the transaction is executed, for the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud Bin Fahad Bin Abdulaziz and Sultan Holding Company to acquire Zain's towers infrastructures. The approved final offers were to acquire stakes in Zain KSA's towers infrastructure comprising of 8,069 towers, valuing these assets at SR 3,026 million (USD 807 million).

On 28 May 2022, Zain KSA received a letter from the Communications and Information Technology Commission (CITC) No.4319/1443/AH dated 27/10/1443H (corresponding to 28/5/2022), which included the CITC's Board of Directors approval for "Zain Business Limited" Company (please refer to note 1.3) to acquire at least 8,069 of the telecom tower sites owned by Zain KSA, after Zain Business Limited obtains a license (providing wholesale services for infrastructure – (Class A) towers and masts), provided that the regulatory requirements related to licensing are met.

In September 2022, PIF acquired Zain Business Company Limited with Commercial registration number 10100472408 and changed the name to Golden Lattice Investment Company (GLI).

In October 2022, the Group has also entered into a Shareholders' Agreement "SHA" with PIF, HRH Prince Saud bin Fahd bin Abdulaziz, Sultan Holding Company and GLI in respect of GLI, such that the shareholding structure of GLI upon Completion shall be: PIF – 60%; the Group – 20%; HRH Prince Saud bin Fahad Bin Abdul Aziz– 10% and Sultan Holding Company – 10%.

Simultaneously in October 2022, the Group also signed with GLI an Asset Purchase Agreement "APA"; whereby at least the aforementioned sites will be transferred in batches and within a period not exceeding 18 months from the Financial Completion date, from the Group to GLI for an aggregate value as mentioned above. Whereby the Group, upon the "Financial Completion" under the APA, will receive a cash proceed of SR 2,421 million along with a 20% equity stake in GLI.

The "Financial Completion" under the APA is only achieved when the required licenses are obtained, and the Group transfers at least 3,000 sites out of total towers agreed to be transferred to GLI, then "The Financial Completion" date will be triggered and the signed APA and SHA will be executed (refer to note 38).

1.5 *Agreement for prospective investment*

On 9 July 2022, the Group and Zain Ventures Holding Company W.L.L signed a Shareholders' agreement with Digital Application Trading Company L.L.C "PHT" registered under the laws of KSA, by virtue of which all parties of the agreement agreed and recorded terms and conditions relating to the shareholding, funding, management and support requirements of Entertainment Content Trading Company (Single Owner) L.L.C "ECT" already formed and registered under the laws of KSA, currently owned by PHT.

The Group, Zain Ventures Holding Company W.L.L, PHT and ECT on 8 September 2022 entered into a Subscription Agreement, by virtue of which the Group and Zain Ventures Holding Company W.L.L agrees to subscribe shares 30% (each) shareholding in ECT with an amount of SR 9.38 million each, in two phases. The Group has paid SAR 2 million as advance, however the registration of new Company is pending as at 31 December 2022.

2 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for derivative financial Instruments and assets held for sale.

The Group has used same accounting policies which were used for the year ended 31 December 2021, unless mentioned otherwise.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Group. All the amounts have been rounded off to the nearest thousand unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group, including assets, liabilities and the results of the operations of the Group, as set out in (note 1.2). Subsidiaries are consolidated from the date on which ownership commences until the date its ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. The Group and its fully owned subsidiaries have the same reporting periods. All intergroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment f is recognised at fair value.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS

a) New standards, interpretations and amendments effective in current year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs an entity includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022.
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

a) New standards, interpretations and amendments effective in current year (continued)

The Group has assessed that these amendments have no significant impact on the consolidated financial statements.

b) New standards, interpretations and amendments not yet effective

The Group has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Group's accounting year beginning on or after January 1, 2023.

Standard, interpretation, amendments	**Description**	**Effective date**
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require entities to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023

4 SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The 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.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The Group applies the following annual rates of depreciation to its property and equipment:

Leasehold Improvements	20% or shorter of lease term
Telecom equipment	5% to 33.3%
IT systems and servers	20% to 33.3%
Furniture and office equipment	20% to 33.3%
Transportation equipment	20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Property and equipment** (continued)*

Land and assets under construction are stated at cost, net of accumulated impairment losses, if any. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets under construction are ready for their intended use, they are transferred to property and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

Capital advances

Capital advances is paid to supplier of capital equipment. The amount continues to be disclosed as capital advances till such time the asset is delivered. Once the equipment is supplied, the Capital advances is either transferred to telecom equipment or assets under construction.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

The Group applies the following annual rates of amortization to its intangible assets:

License fee	2.5%
Computer software licenses	20% to 50%
Indefeasible Rights of Use (“IRU”)	6.67% to 10%
Spectrum	6.67%

Brands have an indefinite useful life and are assessed for impairment at annual reporting date.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Non-current assets held for sale

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

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

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with banks whose original maturities do not exceed three months and are available for use by the Group unless otherwise stated. The deposits are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

End of service benefits

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of changes in equity as a remeasurement reserve with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- Re-measurements

The Group presents the first two components of defined benefit costs in profit or loss in the line item “Operating and administrative expenses”.

Retirement benefits
The Group pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and air tickets in the period 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.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to the property and equipment are recorded as a deduction from the cost of the assets in arriving at the respective carrying amount. Any advance amount received is recorded as deferred grant and adjusted against recorded capital expenditure on assets. An excess realized is recorded under other income.

Grant related to income (reimbursement of expenses) are adjusted against the related expenses.

Foreign currencies

Transactions in currencies other than the Group’s functional currency (foreign currencies), which is Saudi Riyals, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

Zakat is calculated and provided for by the Group in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss. The zakat is submitted on a group basis. It is calculated using zakat rates that have been enacted or substantively enacted by the end of the reporting period.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Statutory Reserve

In accordance with Company’s by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until it reached 30% of the share capital. This reserve is currently not distributable to the Shareholders.

Cash dividends

The Company’s dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized. A corresponding amount is recognized directly in equity.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent assets are not recognized as an asset until realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and

an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period. At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee *(continued)*

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee *(continued)*

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Revenue

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. Revenue is recognized based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or services to a customer.

The timing of revenue 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.

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees, and telephone equipment and accessory sales.

Telecommunication services
Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue *(continued)*

Bundled packages
The Group provides subsidized handsets to its customers along with mobile telecommunication services. IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in reallocation of a portion of revenue from trading revenue to service revenue which was earlier recognized upfront on signing of the customer contract and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices.

Handsets
Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

Principal vs. agent
Significant judgement is required in determining whether the Group is acting as principal, reporting revenue on a gross basis, or acting as an agent, reporting revenue on a net basis. The Group evaluates if it controls the performance obligation of each service
The Group assesses different categories of revenue, however, before concluding on whether it is acting as a principal or an agent, the Group exercises judgement considering the nature of the product and solution offering, complexity involved in delivering the product and solution, level of control available to the Group in the process of delivering the product and solution.

Sales of product and services in which the Group acts as a principal are presented on a gross basis.

Sales of product and services where there is no involvement of the Group for fulfilling the performance obligation is presented on a net basis. These generally includes the sale of certain third- party services, post contract support, software, third-party hosted Cloud arrangements and other related services.

Amounts collected by the group on behalf of a third party are accounted for as a payable in the statement of consolidated financial position until they are settled and do not gross up revenue and expenses. Similarly, amounts prepaid by the group to a third party on behalf of customers are recognized as a receivable until they are recovered and do not gross up revenues and expenses.

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue *(continued)*

Variable consideration
In determining the transaction price, the Group considers the effects of 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 products and services 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.

Significant financing component
If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Commissions and other contract costs
Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortized as revenue is recognized under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party distributors and employees. Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred.

Customer loyalty programs
The Group operates a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

Installation and activation services
Revenue from sale of SIM is recognized at the point in time upon activation when end customer takes control of the SIM. The Group provides installation services that are bundled together with the sale of devices to a customer. Contracts for bundled sales of devices and installation services are comprised of one performance obligations because the promises to transfer devices and provide installation services are not capable of being distinct. Accordingly, the Group recognizes revenue from bundled sales of devices and installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Contract balances

Contract assets
A contract asset is the Group’s right to consideration in exchange for goods and services transferred by the Group to the customer. If the Group transfers goods or services to a customer before the customer pays any consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets.

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).

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

<u>Classification, recognition, and presentation</u>

Financial instruments are recognized in the consolidated statement of financial position when and only when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial instruments at initial recognition.

The Group classifies its financial assets within the following categories:
a) at fair value (either through other comprehensive income, or through profit or loss); and
b) at amortized cost.

The classification depends on the entity's business model for managing the financial assets (for debt instruments) and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Derivatives embedded in host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the consolidated statement of profit or loss.

<u>Measurement</u>

Initial measurement

Financial assets and financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities or, where appropriate, deducted from them. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss). Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments** (continued)*

***<u>Measurement</u>** (continued)*

Subsequent measurement of financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

a) Financial assets measured at amortized cost:

Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income. The financial assets at amortized cost consist of trade receivables, term deposits, cash and cash equivalents, and other receivables.

b) Financial assets measured at fair value through profit or loss:

Financial assets measured at fair value through profit or loss ("FVTPL") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

c) Financial assets measured at fair value through other comprehensive income:

Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

When a financial asset is derecognized, the accumulated gain or loss recognized previously in the consolidated statement of comprehensive income is reclassified to the consolidated statement of profit and loss. However, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit and loss in the case of equity instruments.

The recognition and presentation of gains and losses for each measurement category are as follows:

a) Financial assets measured at amortized cost:

The following items are recognized in the consolidated statement of profit or loss:
- finance income using the effective interest method;
- expected credit losses (or reversals of such losses); and
- foreign exchange gains and losses.

When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss.

b) Financial assets measured at fair value through profit or loss:

Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Measurement *(continued)*

Subsequent measurement of financial assets *(continued)*

b) Financial assets measured at fair value through profit or loss: (continued)

Gains and losses are recognized in the consolidated statement of comprehensive income, except for the following items, which are recognized in consolidated statement of profit or loss in the same manner as for financial assets measured at amortized cost:

- finance income using the average effective interest method;
- expected credit losses (or reversals of such losses); and
- foreign exchange gains and losses.

Impairment of financial assets

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 an allowance base on lifetime ECLs at each reporting date.

The Group 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. For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable. For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Measurement *(continued)*

Subsequent measurement of financial assets *(continued)*

b) Financial assets measured at fair value through profit or loss: (continued)

Impairment of financial assets *(continued)*

Presentation of impairment
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment loss allowance related to trade and other receivables, including contract assets, are presented separately in statement of profit or loss and other comprehensive income.

Subsequent measurement of financial liabilities

a) Financial liabilities measured at amortized cost:

The Group should classify all financial liabilities at amortized cost and remeasure subsequently as such, except for:

- financial liabilities at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach;
- commitments to provide a loan at a below-market interest rate and not measured at fair value though profit or loss; and
- financial guarantee contracts.

Financial liabilities classified at amortized cost are measured using the effective interest rate method. When the financial liabilities are derecognized, the gain or loss is recognized in consolidated statement of profit or loss.

b) Liabilities at fair value through profit or loss:

Financial liabilities falling under this category include:

- liabilities held for trading;
- derivative liabilities not designated as hedging instruments; and
- those designated as at FVTPL.

After initial recognition, the Group measures financial liabilities at fair value with changes recognized in the consolidated statement of profit or loss.

Gains or losses on a financial liability designated as at FVTPL are generally split and presented as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that financial liability is presented in the consolidated statement of comprehensive income
- the remaining amount of change in the fair value of the financial liability is presented in the consolidated statement of profit or loss

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Measurement *(continued)*

Subsequent measurement of financial liabilities *(continued)*

c) Financial guarantees

A financial guarantee is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are measured initially at their fair values and, if not designated as FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of ECL determined in accordance with IFRS 9; and
- the amount recognized initially less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policy described in the accounting policies.

De-recognition De-recognition of financial assets:

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

De-recognition of financial liabilities:

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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.

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 income. 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 as financing income.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

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

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 consolidated statement of income.

Derivatives and hedging activities

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis ‑ the Group applies straight-line amortization. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Derivatives and hedging activities *(continued)*

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income.
When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments** (continued)*

***Derivatives and hedging activities** (continued)*

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant estimates in applying accounting policies

Gross versus net presentation

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.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continued)

Significant estimates in applying accounting policies *(continued)*

Impairment of Trade receivable and Contract assets

The Group uses a provision matrix to calculate expected credit loss on trade receivables and contract assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical loss experience with forward looking information. At the end of each reporting date, the Group updates its historical default rates and reflects that in future estimates.

The Group recognizes an allowance for impairment loss of 100% against all trade receivables that are aged over 365 days, except for balances with related parties and balances still collectable where credit quality did not deteriorate based on historical experience of the Group.

For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable. For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due.

Arrangements with multiple performance obligation

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

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets, which comprise a significant portion of the Group's total assets, is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Employees' end of service benefits obligation

The Group makes various estimates in determining the provision for employees' end of service benefits. These estimates are disclosed in note 20.

Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the Zakat, Tax, and Customs Authority ("ZATCA") and is subject to change based on final assessments received from the ZATCA. The Group recognizes liabilities for any anticipated zakat and withholding 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 dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit or loss in the period in which such final determination is made.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continued)

Significant estimates in applying accounting policies *(continued)*

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

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

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 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. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

6 CASH AND CASH EQUIVALENTS

	2022	2021
Cash in hand	**1,678**	1,313
Cash at banks	**373,752**	510,664
Cash and bank balance	**375,430**	511,977
Cash at bank under lien	**(1,068)**	(4,788)
	374,362	507,189

The Group invests part of the surplus cash in time deposits with maturity period of three month or less with local commercial banks. The annual commission average rates on these deposits during 2022 were 2.18% (2021: 0.4%). The total commission earned by the Group during 2022 was SR 10.2 million (2021: SR 1.3 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 TRADE AND OTHER RECEIVABLES

	2022	2021
Trade receivables	**3,867,573**	3,296,072
Less: Expected credit losses	**(1,079,698)**	(1,083,014)
Net trade receivables	**2,787,875**	2,213,058
Other operators' receivable	**563,116**	318,039
Advances to suppliers and others	**135,885**	141,685
Other advances	**92,976**	-
Prepayments	**43,380**	16,717
Advances for transmission lines and fiber links	**10,583**	13,828
Other receivables	**356,449**	285,021
	3,990,264	2,988,348

The breakdown of the Trade receivables is in Note 31 The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022	2021
Saudi Riyals	**3,846,694**	2,910,942
US Dollars	**143,570**	77,406
	3,990,264	2,988,348

The average credit period on sales of goods and services is 30 days. No interest is charged on trade receivables. Historical loss experience and derives loss rates based on historical loss rates to reflect the information about current conditions and reasonable and supportable forecast of future economic conditions. The Group recognizes an allowances against expected credit loss based on ECL model considering the ageing of its overdue debtors which increases as the debtors become more overdue as historical experience indicates that the likelihood of amounts being recoverable decreases the more the amount is overdue.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

Two of the Group's debtors comprise 26% of the total trade receivables balance (2021: 26%). There are no other customers who comprise more than 10% of the total trade receivables balance.

Age of overdue trade receivables not provided for

	2022			2021		
	Gross	**Not credit impaired**	**Credit impaired**	Gross	Not credit impaired	Credit impaired
Not due /< 30 days	**737,991**	**737,584**	**407**	533,909	533,587	322
31 – 60 days	**157,972**	**157,842**	**130**	83,155	83,107	48
61 – 90 days	**133,561**	**133,319**	**242**	67,230	67,167	63
91 – 180 days	**261,273**	**231,618**	**29,655**	175,644	151,329	24,315
181 - 360 days	**1,049,160**	**984,037**	**65,123**	832,252	777,637	54,615
> 361 days	**1,527,616**	**543,475**	**984,141**	1,603,882	600,231	1,003,651
	3,867,573	**2,787,875**	**1,079,698**	3,296,072	2,213,058	1,083,014

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 TRADE AND OTHER RECEIVABLES (continued)

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

Movement in the allowance for expected credit losses

	2022	2021
Opening balance	**1,083,014**	1,269,863
Charged for the year	**223,025**	146,176
Amount written off during the year	**(219,739)**	(193,626)
Amounts reversed during the year	**(6,602)**	(139,399)
Closing balance	**1,079,698**	1,083,014

Total amount charge in consolidated statement of profit or loss

	2022	2021
Expected credit loss for the year	**223,025**	146,176
Reversal during the year*	**(6,602)**	(139,399)
Closing balance	**216,423**	6,777

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The Group does not hold any collateral over the impaired trade receivables.

* Represents the recovery of the amounts provided for in prior periods.

8 CONTRACT BALANCES

Contract assets

	2022	2021
Unbilled revenue	**496,971**	358,779
Less: Allowance for expected credit loss	**(1,103)**	(2,733)
	495,868	356,046
Current	**150,971**	67,224
Non-current	**344,897**	288,822
	495,868	356,046

Movement on the expected credit allowance on contract assets

	2022	2021
Opening balance	**2,733**	2,539
Amounts (reversed)/charged during the year	**(1,630)**	194
Closing balance	**1,103**	2,733

Deferred income and contract liabilities	2022	2021
Contract liabilities – Prepaid Customers	**298,994**	548,792
Deferred income- Government Grant (refer note 34)	**52,257**	52,257
	351,251	601,049

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 INVENTORIES

	2022	2021
Handsets and accessories	**144,287**	220,827
Sim cards	**6,144**	5,774
Prepaid recharge cards	**700**	1,626
Others	**8,511**	2,445
	159,642	230,672
Less: provision for obsolescence	**(12,963)**	(16,949)
	146,679	213,723
Cost of inventories recognized as an expense	**1,121,337**	**765,452**

Movement on the provision for obsolescence

	2022	2021
Opening balance	**16,949**	17,628
Amounts reversed during the year	**(3,986)**	(679)
Closing balance	**12,963**	16,949

10 RIGHT OF USE ASSETS

The recognized right-of-use assets relate to the following types of assets:

2022

	Land and building	**Cellular and other equipment**	**Total**
Opening Balance	**1,206,188**	**124,787**	**1,330,975**
Additions	**439,918**	**215,992**	**655,910**
Amortizations	**(110,338)**	**(84,164)**	**(194,502)**
Retirements	**5,756**	**(7,906)**	**(2,150)**
Reclassification to Held For Sale (refer note 37)	**(1,000,367)**	**-**	**(1,000,367)**
Closing balance	**541,157**	**248,709**	**789,866**

2021

	Land and building	Cellular and other equipment	Total
Opening Balance	1,212,659	72,229	1,284,888
Additions	313,156	209,994	523,150
Amortizations	(318,930)	(96,565)	(415,495)
Retirements	(697)	(60,871)	(61,568)
Closing balance	1,206,188	124,787	1,330,975

The total amount recorded in consolidated statement of profit or loss for right of use assets includes 12 million (31 December 2021 63 million) with respect to site rent.

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

The Group's leasing activities and how these are accounted for;
The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. 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, but leased assets may not be used as security for borrowing purposes

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 PROPERTY AND EQUIPMENT

	Land	Leasehold improvements	Telecom equipment	IT systems and servers	Furniture and office equipment	Transportation equipment	Assets under construction	Total
Cost								
At 1 January 2022	**6,549**	**319,609**	**16,187,579**	**701,911**	**147,653**	**3,851**	**622,783**	**17,989,935**
Additions	**-**	**2,929**	**378,410**	**119,036**	**1,594**	**-**	**315,620**	**817,589**
Transfers	**-**	**98**	**546,195**	**90,880**	**1,597**	**-**	**(726,893)**	**(88,123)**
Disposals	**-**	**-**	**(76,993)**	**(93)**	**(52)**	**-**	**(1,334)**	**(78,472)**
Transfer to Held for Sale	**-**	**-**	**(2,656,019)**	**-**	**-**	**-**	**(213)**	**(2,656,232)**
At 31 December 2022	**6,549**	**322,636**	**14,379,172**	**911,734**	**150,792**	**3,851**	**209,963**	**15,984,697**
Depreciation								
At 1 January 2022	**-**	**311,233**	**10,279,789**	**612,760**	**142,315**	**3,843**	**-**	**11,349,940**
Charge for the year	**-**	**4,123**	**1,023,862**	**48,201**	**3,414**	**8**	**-**	**1,079,608**
Disposals	**-**	**-**	**(76,238)**	**(84)**	**(30)**	**-**	**-**	**(76,352)**
Transfer to Held for Sale	**-**	**-**	**(1,294,090)**	**-**	**-**	**-**	**-**	**(1,294,090)**
At 31 December 2022	**-**	**315,356**	**9,933,323**	**660,877**	**145,699**	**3,851**	**-**	**11,059,106**
Net book value	**6,549**	**7,280**	**4,445,849**	**250,857**	**5,093**	**-**	**209,963**	**4,925,591**

	Land	Leasehold improvements	Telecom equipment	IT systems and servers	Furniture and office equipment	Transportation equipment	Assets under construction	Total
Cost								
At 1 January 2021	6,549	317,275	15,266,221	670,482	146,867	3,851	624,463	17,035,708
Additions	-	1,492	851,136	24,547	786	-	78,195	956,156
Transfer	-	842	70,222	6,895	-	-	(79,875)	(1,916)
Disposals	-	-	-	(13)	-	-	-	(13)
At 31 December 2021	6,549	319,609	16,187,579	701,911	147,653	3,851	622,783	17,989,935
Depreciation								
At 1 January 2021	-	303,357	9,164,931	571,624	135,132	3,827	-	10,178,871
Charge for the year	-	7,876	1,114,858	41,143	7,183	16	-	1,171,076
Disposals	-	-	-	(7)	-	-	-	(7)
At 31 December 2021	-	311,233	10,279,789	612,760	142,315	3,843	-	11,349,940
Net book value	6,549	8,376	5,907,790	89,151	5,338	8	622,783	6,639,995

The Group has capitalized, internal technical salaries, during the year ended 31 December 2022 amounting to SR 47 million (31 December 2021 amounting to SR 32 million).
During the year, the net additions in property and equipment amounted to SR 722 million, including non-cash addition with an amount of SR 334 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 CAPITAL ADVANCES

	2022	2021
Capital advances	**191,835**	**274,841**

The Capital advances relate to the payment to supplier in advance and before completion of the project for telecom equipment. Upon completion, the amounts recognized as Capital advances are reclassified to Property and Equipment**.**

13 INTANGIBLE ASSETS

Cost	**License fee***	**Computer software licenses**	**IRU ****	**Brand**	**Spectrum*****	**Total**
At 1 January 2022	**23,364,250**	**467,460**	**1,490,307**	**7,500**	**1,885,489**	**27,215,006**
Additions	-	37,882	59,480	-	-	**97,362**
Transfers in	-	33,928	54,195	-	-	**88,123**
At 31 December 2022	**23,364,250**	**539,270**	**1,603,982**	**7,500**	**1,885,489**	**27,400,491**
Amortization						
At 1 January 2022	**10,410,388**	**405,406**	**454,523**	**-**	**383,645**	**11,653,962**
Charge for year	**517,138**	**30,425**	**106,344**	**-**	**125,700**	**779,607**
At 31 December 2022	**10,927,526**	**435,831**	**560,867**	**-**	**509,345**	**12,433,569**
Net book value	**12,436,724**	**103,439**	**1,043,115**	**7,500**	**1,376,144**	**14,966,922**

Cost	**License fee***	**Computer software licenses**	**IRU ****	**Brand**	**Spectrum*****	**Total**
At 1 January 2021	23,364,230	452,820	1,444,061	7,500	1,885,489	27,154,100
Additions	20	12,724	46,246	-	-	58,990
Transfers in	-	1,916	-	-	-	1,916
At 31 December 2021	23,364,250	467,460	1,490,307	7,500	1,885,489	27,215,006
Amortization						
At 1 January 2021	9,893,250	367,854	354,892	-	257,945	10,873,941
Charge for the year	517,138	37,552	99,631	-	125,700	780,021
At 31 December 2021	10,410,388	405,406	454,523	-	383,645	11,653,962
Net book value	12,953,862	62,054	1,035,784	7,500	1,501,844	15,561,044

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 INTANGIBLE ASSETS (continued)

The net book value and expiry dates of the most significant intangible assets are as follows:

	End of amortization period	**2022**	2021
License fee	Jan 2047	**12,436,724**	12,953,862
Right of Use (multiple items)	Between Nov 2025 & Dec 2037	**1,043,115**	1,035,784
Spectrum 2x10Mhz of 1800Mhz	Dec 2032	**470,844**	517,525
Spectrum 2x10 of 800 Mhz	Dec 2033	**419,302**	457,821
Spectrum 2600 & 3500 Mhz	Dec 2034	**485,998**	526,498
		14,855,983	15,491,490

***License fee**

Pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I 1428H (corresponding to 11 June 2007) and No. 357 dated 28 Dhu Al-Hijjah 1428H (corresponding to 7 January 2008) and Royal Decree No. 48/M dated 26 Jumada I 1428H (corresponding to 12 June 2007), the 3rd license to provide mobile telecommunication services within the Kingdom of Saudi Arabia over 25 years was granted to the Group for an amount of SR 22.91 billion. The license fee also comprises an amount equal to SR 449.18 million relating to financing costs which were capitalized as part of the license cost.

Based on the High Order dated 30 Dhu Al-Hijjah 1437H (corresponding to 1 October 2016), which was announced by the Capital Market Authority on 1 Muharram 1438H (corresponding to 2 October 2016), directed the Communications and Information Technology Commission (CITC) to coordinate with Mobile Telecommunication Company Saudi Arabia to extend its license for an additional 15 years' period. This extended the remaining period to 32 years ending on 21 Rabi Al Awwal 1469H (corresponding to 18 January 2047).

****Indefeasible Rights of Use ("IRU")**

IRUs corresponds to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight-line basis over the shorter of the expected period of use or the life of the contract which ranges between 10 to 20 years.

*****Spectrum**

Spectrum corresponds to the radio frequency allocated to the mobile acquired through a bid from CITC. Spectrum is recognized at discount using the interest effective method and amortized on a straight-line basis over contractual payment term. The liability amount related to the Spectrum capitalized under intangible assets is recorded under other non-current liabilities.

******Brand**

Brand corresponds to the brand "Alo" that the Group acquired, in 2015 for an indefinite useful life, with all its benefits. The brand is not subject to amortization as its life is indefinite. Brand is annually tested for impairment.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 TRADE AND OTHER PAYABLES

	2022	2021
Trade payables	**2,020,036**	1,446,628
Accruals	**1,446,266**	1,394,414
Payable to M.O.F - Current (refer note 18-1)	**572,523**	524,995
Accrued government charges	**317,831**	125,489
Notes payable	**315,187**	474,292
M.O.F Accrued Finance Cost (refer note 18-1)	**83,272**	57,591
Provision for zakat (note 29)	**65,541**	41,232
Employee related accruals	**62,313**	48,067
Accrued Financial Charges	**59,143**	5,001
Other payables	**525,218**	573,490
	5,467,330	4,691,199

Accrued government charges and other payables contain regulatory and legal provisions with an amount of SR 713 million (2021: SR 391 million). This movement in the provision is a non-cash transaction.

Trade payables includes amount due to related parties amounting to SR 0.6 million (2021: SR 1.7 million) for providing telecommunication services to related parties (refer to note 32).

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15 BORROWINGS

	2022	2021
Syndicate Murabaha facility (refer to note 15.1)	**5,487,869**	2,954,824
Working Capital Murabaha facility (refer to note 15.1)	**520,000**	650,000
Junior Murabaha Facility Agreement (refer to note 15.2)	-	2,246,749
Total borrowings	**6,007,869**	5,851,573

The current and non-current amounts are as follows:

	2022	2021
Current borrowings	**836,800**	3,213,549
Non-current borrowings	**5,171,069**	2,638,024
Total borrowings	**6,007,869**	5,851,573

The carrying amounts of the Group borrowings are denominated in the following currencies:

	2022	2021
Saudi Riyals	**4,888,748**	5,178,903
US Dollar (presented in Saudi Riyal)	**1,119,121**	672,670
	6,007,869	5,851,573

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 BORROWINGS (continued)

15-1 Syndicated Murabaha facility

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) obtained from the commercial banks for a total amount available up to SR 6 billion with two years grace period, at commercial market terms. Moreover, the agreement includes a working capital facility of SR 1 billion (originally SR 0.65 billion in 2018) bringing the total facility amounting to SR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans.

As at 31 December 2022, the Group has utilized SR 6.52 billion from existing facility of SR 7 billion. which includes 6 billion from long term facility while SR 0.52 billion is related against the working capital facility. During the year ended 31 December 2022, the Group has drawn down SR 2.8 billion from the existing long term facility and 0.52 billion from working capital facility while settling SR 2.25 billion Junior Murabaha facility (also refer note 7-2) and SR 0.65 billion from working capital facility. As at 31 December 2022, total unused facility against MFA amounting to SR 0.48 billion from the working capital facility.

Financing charges, as specified under the "Murabaha financing agreement" are payable in quarterly installments over five years. MFA is secured partially by a guarantee from Mobile Telecommunications Company K.S.C.P and a pledge of shares of the Group owned by some of the founding shareholders and assignment of certain contracts and receivables and fixed assets up to the outstanding balance at the date of reporting as mentioned above.

The Group is complying with the existing loan covenants.

15-2 Junior Murabaha

On 16 June 2019, the Group signed Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks. The duration of the agreement was two years, with an option to be extended for one year upon Group's request that was exercised by the group. The group obtained the unanimous approval from all the participating banks to extend the maturity of borrowings till 16 June 2022. On 28 April 2022, the Group has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

16 LEASE LIABILITIES

	2022	2021
Opening Balance	**1,472,545**	1,384,247
Additions	**441,922**	523,745
Finance Cost	**75,964**	72,592
Retirements/ termination	**(19,265)**	(80,522)
Reclassification to Held For Sale (refer note 37)	**(801,950)**	-
Payments	**(489,405)**	(427,517)
Closing Balance	**679,811**	1,472,545
Current	**109,820**	263,771
Non-Current	**569,991**	1,208,774
	679,811	1,472,545

Majority of the lease liabilities contracts are denominated in Saudi Riyals. Please refer to note 30 for the maturity analysis of the lease liabilities.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 DUE TO RELATED PARTIES

	2022	2021
Mobile Telecommunications Company K.S.C (refer to note 17.1)	**1,230,247**	1,444,018
Mobile Telecommunications Company K.S.C (refer to note 17.3)	**5,050**	1,262
Founding shareholders (refer to note 17.2)	**84,573**	84,573
Other related parties	**(13)**	237
	1,319,857	1,530,090
Current	**1,319,857**	1,530,090

17-1 Mobile Telecommunications Company K.S.C

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment.

17-2 Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 15.1.

17-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts represent the other inter-Company balance and doesn't bear any interest.

18 OTHER NON-CURRENT LIABILITIES

	2022	2021
Payable to M.O.F (refer to note 18-1)	**2,487,167**	3,059,690
Long-term Payable – Spectrum (refer to note 18-2)	**1,171,478**	1,282,302
Other	**107,969**	103,424
	3,766,614	4,445,416

18.1 During 2013, the Company has signed an agreement with the Ministry of Finance (MOF), Kingdom of Saudi Arabia to defer payments of its dues to the government for the next seven years ending May 2020. These deferred payments under agreement contain commercial commission payable annually, the amount was repayable equally in seven years starting from June 2021 as per original terms, which was then revised in October 31, 2021. Based on revised scheduling the first repayment amounting to SR 0.538 billion has been settled in November 2021.The amount deferred by the Company as of 31 December 2022 amounted to SR 3.06 billion (31 December 2021: SR 3.6 billion) out of which SR 0.573 billion is recognized under trade and other payables as current portion as at 31 December 2022 (31 December 2021: SR 0.524 billion). The accrued interest related to the MOF payable is recorded under trade and other payables.

18.2 As of 31 December 2022, the total outstanding amount payable against spectrum amounts to SR 1.36 billion (31 December 2021: SR: 1.47 billion) out of which SR 0.189 billion is recognized under trade and other payables as at 31 December 2022 (31 December 2021: SR 0.188 billion).

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into profit rate swaps, which matures in 2025. The maturity of the profit rate swap has been extended till the extended maturity of the refinanced loan (refer note 15-1), . The outstanding notional amount of the contract as at 31 December 2022 was SR 2.9 billion (31 December 2021: SR 3.2 billion) and the fair value was a positive amount of SR 111 million as at 31 December 2022 (31 December 2021: Negative SR 110 million).

The average contracted fixed interest rate ranges from 2% to 3.5%. A gain of SR 221 million was recognized in other comprehensive income for the year ended 31 December 2022 (31 December 2021: gain of SR 96 million) as a result of fair value movements relating to this hedge. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

20 EMPLOYEES' END OF SERVICE BENEFITS OBLIGATION

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service year, calculated under the provisions of the labor Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the year of employment.

The Group's plan is exposed to actuarial risks such as: discount rate and salary risk.

- Discount risk: A decrease in the discount rate will increase the plan liability.
- Salary risk: 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 salary of the plan participants will increase the plan's liability.

	2022	2021
Opening balance	**135,434**	125,082
Current service cost	**19,018**	18,274
Interest cost	**6,339**	4,302
Payments	**(9,818)**	(12,176)
Total actuarial loss / (gain)	**10,313**	(48)
Closing balance	**161,286**	135,434

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2022	2021
Salary increases	**5.25%**	3%
Discount rate	**4%**	4%

All movements in the end of service benefits liability are recognized in statement of profit or loss except for the actuarial gain which is recognized in other comprehensive income.

	2022	2021
Base Scenario	**161,286**	135,434
Discount Rate: Increase by 1%	**146,520**	122,874
Discount Rate: Decrease by 1%	**178,501**	150,124
Salary Escalation Rate: Increase by 1%	**178,431**	150,124
Salary Escalation Rate: Decrease by 1%	**146,308**	122,646

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 EMPLOYEES' END OF SERVICE BENEFITS OBLIGATION (Continued)

Particulars	**2022**	2021
Change in Financial Assumption	**(10,007)**	43
Change in the Salary Escalation Rate Assumption	**-**	-
Change in the Discount Rate	**(10,007)**	43
Change in Demographic Assumption	**-**	-
Change in the Mortality Rate Assumption	**-**	-
Change in the Attrition Rate Assumption	**-**	-
Experience Adjustment	**(306)**	5
Total Actuarial (loss) / gain	**(10,313)**	48
Average life of the plan	**11.2 years**	11.2 years

Other reserve	**2022**	2021
Opening balance	**2,066**	2,018
Remeasurement	**(10,313)**	48
Closing balance	**(8,247)**	2,066

21 RETIREMENT BENEFIT CONTRIBUTIONS

The Group paid retirement contributions for its Saudi Arabian employees for the year ended 31 December 2022 to the General Organization for Social Insurance SR 28 million (2021: SR 27 million)

22 SHARE CAPITAL

The share capital of the Group as at 31 December 2022 comprised 898,729,175 shares (31 December 2021: 898,729,175) stated at SR 10 per share owned (Refer note 1.3).

23 REVENUE

23.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2022	2021
Usage charges	**5,588,404**	4,963,749
Subscription	**1,882,988**	1,811,779
Sale of goods	**1,497,362**	796,533
Other revenue	**106,418**	328,585
	9,075,172	7,900,646
Timing of revenue recognition		
PO satisfied over period of time – airtime and data	**7,577,810**	7,104,113
PO satisfied a point in time – trading income	**1,497,362**	796,533

24 COST OF REVENUE

	2022	2021
Access charges	**1,668,655**	1,411,082
Cost of devices	**1,126,362**	757,514
Government charges	**670,409**	662,676
Other	**294,376**	184,779
	3,759,802	3,016,051

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 DISTRIBUTION AND MARKETING EXPENSES

	2022	2021
Employees' salaries and related charges	**453,493**	439,802
Repairs and maintenance	**370,145**	425,402
Service rendered and Branding fees (Also refer note 17-1)	**198,092**	117,567
Advertising	**138,534**	102,380
Microwave Frequency	**119,174**	93,823
Utilities	**110,289**	105,910
Leased lines	**62,693**	52,702
Rent expenses	**36,802**	19,687
Biometric Expense	**18,673**	10,953
Consulting	**4,779**	7,472
Other	**61,554**	90,851
	1,574,228	1,466,549

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Employees' salaries and related charges	**206,011**	136,593
Repairs and maintenance	**99,283**	101,113
Legal and professional fees	**19,653**	5,090
Consulting	**8,290**	8,392
License and subscription	**8,077**	7,843
Utilities	**92**	100
Other	**30,093**	23,607
	371,499	282,738

27 OTHER INCOME

	2022	2021
WHT refund	**41,892**	144
Foreign exchange loss	**(2,101)**	(3,251)
Gain on disposal of assets	**100**	3,358
Gain on leases	**6,164**	18,438
Other	**2,314**	1,690
	48,369	20,379

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 FINANCE COST

	2022	2021
Syndicate Murabaha facility	**289,981**	164,090
Related parties (Also refer note 32)	**-**	13,876
Ministry of finance	**108,980**	107,292
Interest on leases liability	**75,964**	72,592
Murabaha facility junior	**18,631**	50,259
Interest on spectrum	**77,874**	81,049
Others	**2,406**	-
	573,836	489,158

29 PROVISION FOR ZAKAT

Components of zakat base

The significant components of the Group's approximate zakat base, for the year ended 31 December 2022, which are subject to certain adjustments under zakat and income tax regulations, principally comprise the following:

	2022	2021
Shareholders' equity at beginning of year	**9,149,643**	8,933,275
Provisions at beginning of year	**1,396,677**	1,487,954
Long-term borrowings and shareholders' advances	**6,773,858**	12,968,313
Other non – current liabilities	**2,890,856**	1,282,301
Adjusted net profit for the year (see below)	**972,360**	52,188
Zakat Provision opening balance	**41,232**	24,254
Property and equipment	**(4,917,650)**	(7,969,591)
Intangible assets	**(14,966,922)**	(15,561,044)
Capital advances	**(197,460)**	(274,841)
Approximate positive Zakat base of the Group	**170,234**	890,621

Zakat is payable at 2.5% of the higher of the approximate Zakat base or adjusted net income.

Components of adjusted net profit

	2022	2021
Profit for the year	**549,666**	214,302
Employees' end of service benefits obligation	**36,370**	10,400
Allowance for expected credit loss and slow moving inventory	**185,201**	(187,501)
Other provisions	**102,301**	14,987
Other adjustments	**98,822**	-
Adjusted net profit for the year	**972,360**	52,188

Zakat provision	**2022**	2021
Balance at beginning of the year	**41,232**	24,254
Charge for the year	**24,309**	16,978
Balance at end of the year	**65,541**	41,232

Zakat provision is mentioned under Note 14.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 PROVISION FOR ZAKAT (continued)

Components of zakat base (continued)

Total zakat expense charge in consolidated statement of profit or loss

	2022	2021
Zakat for the year	**24,309**	22,266
Reversal of zakat provision during the year*	**-**	(5,288)
Closing balance	**24,309**	16,978

* Represents the reversal of the amount provided for in prior periods.

Status of assessments

The Group had finalized its zakat status up to 2008 and obtained the related certificate.

The Group had submitted its consolidated financial statements along with group zakat returns for the years from 2009 to 2020 and paid zakat according to the filed returns. In 2021 Zain Payment Company – Tamam had submitted, paid and obtained zakat certificate form ZATCA separately, consequently the Group had submitted zakat return for 2021 excluding Zain Payment Company – Tamam.

On 18 Ramadan 1436H (corresponding to 7 July 2015), The Group received the zakat assessments from Zakat, Tax and Customs Authority (ZATCA) for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 352 million related to zakat differences.

The Group appealed this claim on 27 August 2015 and was able to have the amount of SR 352 million related to zakat revoked entirely.

The Group received additional assessment of SR 20.3 million for Zakat for the years from 2014 to 2018 which the Group has appealed against these additional claims to the relevant committees. The Group believes this will not result in any material additional provisions. Zakat was assessed by ZATCA and agreed with no additional claim for the years ended 2012 and 2013. The Group has not received Zakat assessment for 2019, 2020 and 2021 yet.

There is no financial impact as the Group has sufficient provisions to cover these amounts.

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 EARNINGS PER SHARE

Profit attributable to ordinary shareholders

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Group as the numerator, i.e. no adjustments to profit were necessary in 2022 or 2021. Profit attributable to the shareholders use in calculating EPS is 550 million for the year 2022 (2021: SR 214 million)

Weighted average number of ordinary shares

The weighted average number of shares in the calculation of basic earnings per share is as follows:

	2022	2021
Outstanding during the year	**898,729**	898,729
Basic earnings per share (SR)	**0.61**	0.24

Basic earnings per share is calculated by dividing the profit after Zakat attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the earnings per share of the Group.

31 FINANCIAL INSTRUMENTS

The Group's use of financial instruments exposes it to a variety of financial risks. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the internal audit and the Group risk management department.

The Group is exposed through its operations to the following financial risks:

- Market risk
- Foreign exchange risk
- Credit risk
- Interest rate risk, and;
- Liquidity risk.

These risks are discussed below:

Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to foreign currency risk and interest rate risk only. The Group uses derivatives to manage market risk.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The Group deals with certain vendors in foreign currency transactions, including United States Dollars, Euro, Pound Sterling etc. and the risk pertains to fluctuation of exchange rate which may expose the Group to pay more in functional currency in comparison to the time of recording transaction.

Saudi Riyal currency is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar.

The Group undertakes transactions denominated in foreign currencies which float against the Saudi Riyal and consequently, exposures to exchange rate fluctuations arise. These amounts are not hedged as the exposures are not considered to be material to the Group.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting year were as follows:

Foreign currency risk management

Details	Year	Foreign currency	Foreign currency amount	Exchange rate	Amount in SAR
Trade and other payables	**2022**	**Euro**	**3,495**	**3.92**	**13,704**
Trade and other payables	2021	Euro	617	4.43	2,735

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting year were as follows:

2022 **Details**	**Foreign currency**	**Foreign currency amount**	**Exchange rate**	**Amount in SAR**
Cash and bank balances	**Euro**	**29**	**4.02**	**117**
Cash and bank balances	**GBP**	**264**	**4.53**	**1,195**
				1,312

2021 Details	Foreign currency	Foreign currency amount	Exchange rate	Amount in SAR
Cash and bank balances	Euro	63	4.24	267
Cash and bank balances	GBP	305	5.05	1,541
				1,808

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Europe (Euro) and the Pound Sterling (GBP).

The following table details the sensitivity to a 5% increase and decrease in the Saudi Riyal against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 5% change in foreign currency rates. A positive number below indicates a decrease in profit where the Saudi Riyal strengthens 5% against the relevant currency. For a 5% weakening of the Saudi Riyal against the relevant currency, there would be a comparable impact on profit and the balances below would be negative.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

2022 Currency	**Impact on profit**
Euro	**6**
GBP	**60**

2021 Currency	Impact on profit
Euro	13
GBP	77

Interest and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. There has been no change to this strategy from the previous year.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for all unhedged instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2022 would decrease or increase by SR 2.9Million (31 December 2021: 2.4Million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed is disclosed in note 7. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating.

31 FINANCIAL INSTRUMENTS (continued)

Significant increase in credit risk

Trade receivables generally exposed to significant credit risk, therefore, the Company has established a number of procedures to manage credit risk exposure including limiting transactions with specific counter-parties, evaluation of the customers' credit worthiness, formal credit approvals. The Company follows a credit classification mechanism, primarily driven by the day's delinquency as a tool to manage the quality of credit risk of trade receivables. When determining whether the risk of default has increased significantly since initial recognition, the Group is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit impaired assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Incorporation of forward looking information

The Group incorporates 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. The Group has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

Expected credit loss (ECL) measurement (continued)

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	2022 Simplified approach Lifetime Total	2021 Simplified approach Lifetime Total
Customers	**2,926,120**	2,483,972
Distributors	**157,970**	183,782
Contract assets	**496,970**	358,779
Less: ECL	**(1,079,268)**	(1,083,597)
	2,501,792	1,942,936
Roaming partners	**144,010**	102,738
Other operators (interconnect)	**572,781**	516,943
MVNO Partners	**57,997**	-
Less: ECL	**(1,532)**	(2,150)
	773,256	617,531
Other receivables	**8,695**	8,637
Less: ECL	**-**	-
	8,695	8,637

ECL allowance of trade and other receivables are assessed as follows:

	2022	2021
Collectively assessed	**1,079,268**	**1,083,597**
Individually assessed	**1,532**	**2,150**
	1,080,800	**1,085,747**

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Collectively assessed	**Individually assessed**	**Total**
1 January 2022 under IFRS 9	**1,083,597**	**2,150**	**1,085,747**
Net increase in loss allowance	**223,691**	**-**	**223,691**
Amount written off During the year	**(219,739)**	**-**	**(219,739)**
Amounts reversed during the year	**(8,281)**	**(618)**	**(8,899)**
31 December 2022	**1,079,268**	**1,532**	**1,080,800**

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

Expected credit loss (ECL) measurement (continued)

For customer, distributor and contract assets, the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

	2022			2021		
Aging brackets of postpaid trade receivables	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	**1,030,017**	**0.15%**	**1,510**	894,708	0.34%	3,055
31 – 60 days	**90,446**	**0.14%**	**130**	79,603	0.06%	48
61 – 90 days	**86,946**	**0.28%**	**242**	65,359	0.10%	63
91 – 180 days	**226,563**	**13.09%**	**29,655**	175,814	13.84%	24,326
> 181 days	**250,304**	**25.41%**	**63,592**	207,166	25.32%	52,453
> 361 days	**1,527,615**	**64.42%**	**984,139**	1,562,425	64.24%	1,003,652
	3,211,891		**1,079,268**	2,985,075		1,083,597

Credit quality of roaming, interconnect and other balances:

	2022	2021
Credit quality – Performing	**780,965**	624,325
Impaired	**2,518**	3,993
ECL	**(1,532)**	(2,150)
	781,951	626,168

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group has accumulated deficit as of that date. These conditions indicate that the Group's ability to meet its obligations as they become due and to continue as a going concern are dependent upon the Group's ability to arrange adequate funds in a timely manner. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity and/or undrawn committed credit facilities at all times to meet its obligations. As 31 December 2022 the Group have the undrawn working capital facility of SR 0.48 billion. The directors have a reasonable expectation that the Group has adequate resources along with the undrawn credit facilities to continue in operational existence for the foreseeable future. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2022						
Borrowings	**1,157,921**	**5,882,817**	**-**	**-**	**7,040,738**	**6,007,869**
MOF payable	**782,753**	**1,267,382**	**1,657,003**	**-**	**3,707,138**	**3,059,690**
Trade and notes payable	**2,860,441**	**-**	**-**	**-**	**2,860,441**	**2,860,441**
Due to related parties	**1,319,857**	**-**	**-**	**-**	**1,319,857**	**1,319,857**
Lease liabilities	**123,789**	**156,754**	**330,478**	**166,389**	**777,410**	**679,811**
Long term payables – Spectrum	**-**	**377,396**	**506,996**	**657,600**	**1,541,992**	**1,171,478**
Net Settled derivative liabilities) Interest rate Swap	**-**	**-**	**-**	**-**	**-**	**-**
	6,244,761	**7,684,349**	**2,494,477**	**823,989**	**17,247,576**	**15,099,146**
At 31 December 2021						
Borrowings	3,356,982	1,494,918	1,572,850	-	6,424,750	5,851,573
MOF payable	639,361	1,318,706	1,277,437	817,103	4,052,607	3,584,685
Trade and notes payable	2,494,411	-	-	-	2,494,411	2,494,411
Due to related parties	1,530,090	-	-	-	1,530,090	1,530,090
Lease liabilities	302,548	331,295	698,454	351,657	1,683,955	1,472,545
Long term payables – Spectrum	-	377,396	566,094	787,200	1,919,388	1,282,302
Net Settled derivative liabilities) Interest rate Swap	395	115,386	32,413	-	148,194	110,123
	8,323,787	3,637,701	4,147,248	1,955,960	18,253,395	16,325,729

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

31.1 Fair value of financial instruments

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. This Grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Group are carried at amortized cost except for derivative financial instruments. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

31.2 Carrying amount vs fair value

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings
- Other non-current liabilities

	Fair value measurement hierarchy	**31 December 2022**		31 December 2021	
		Carrying value	**Fair value**	Carrying value	Fair value
Derivative financial instruments (Asset)	Level 2	**110,872**	**110,872**	-	-
Derivative financial instruments (Liability)	Level 2	**-**	**-**	110,123	110,123

31.3 Valuation techniques

These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

	2022	2021
Financial Assets		
Financial assets at amortized cost:		
Cash and banks	**375,430**	511,977
Trade receivables	**2,787,875**	2,213,058
Total financial assets at amortized cost	**3,163,305**	2,725,035
Financial assets at fair value:		
Derivative Financial Instruments	**110,872**	-
Total financial assets at fair value	**110,872**	-
Total financial assets	**3,274,177**	2,725,035
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables, Notes payable	**2,860,441**	2,494,411
MOF payable-current	**572,523**	524,995
Due to related parties	**1,319,857**	1,530,090
Other non-current liabilities	**3,658,645**	4,341,992
Borrowings	**6,007,869**	5,851,573
Total Financial liabilities at amortized cost:	**14,419,335**	14,743,061
Financial liabilities at fair value:		
Derivative Financial Instruments	**-**	110,123
Total financial liabilities at fair value	**-**	110,123
Total financial liabilities	**14,419,335**	14,853,184

32 RELATED PARTY INFORMATION

During the year, the Group transacted with following related parties

Party	**Relationship**
Oman Telecommunications Group SAOG	Parent Company of Mobile Telecommunications Group KSCP
Mobile Telecommunications Group K.S.C. P (Zain Group)	Founding shareholder/ Parent Group
Zain Bahrain	Subsidiary to Founding Shareholder
Zain Sudan	Subsidiary to Founding Shareholder
MTC Lebanon S.A.R.L.	Subsidiary to Founding Shareholder
Zain Iraq/ Atheer Telecom Iraq Limited ‘Atheer’	Subsidiary to Founding Shareholder
Zain Global Communications Co. SPC	Subsidiary to Founding Shareholder
Infra Capital Investments Group	Founding Shareholder

(All amounts in Saudi Riyals thousands unless otherwise stated)

32 RELATED PARTY INFORMATION (continued)

During the year, the Group entered into the following trading transactions with related parties:

	2022	2021
Revenue from entities owned by a shareholder	**38,958**	12,327
Purchases from entities owned by a shareholder	**(104,625)**	(84,656)
Fees charged by a Founding shareholder (note 25)	**(198,092)**	(117,435)
Finance charges charged by a Founding shareholder (note 28)	**-**	(13,876)

The following balances were outstanding at the reporting date:

	2022	2021
Amounts due to a founding shareholders	**1,319,620**	1,530,090
Amounts due to a subsidiaries of Groups' shareholders	**237**	105
Amounts due from a Founding shareholders	**5,445**	1,203
Amount due from Affiliates	**251**	-
Others	**613**	1,700

Other amounts due to related parties are disclosed in note 17.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received by related parties other than those disclosed in note 17. No amounts have been expensed in the current year for expected credit loss in respect of amounts owed by related parties.

Compensations and benefits to key management personal comprising remunerations to Board of Directors and other senior management members

	2022	2021
Short-term benefits	**37,331**	30,533
Long-term benefits	**3,404**	2,583
	40,735	33,116

Short term benefits include remuneration for the Board amounting to SR 3.58 million (31 December 2021: SR 3.68 million).

33 CAPITAL COMMITMENTS

The Group had capital commitments totaling SR 342 million (31 December 2021: SR 516 million).

Capital management

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year. The capital structure of the Group consists of debt and equity comprising share capital, the hedging reserve, the accumulated deficit, long-term borrowings and amounts due to related parties.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.
The Group's Net debt to equity ratio at the end of the year is as follows:

	2022	2021
Net Debt	**10,155,348**	10,396,826
Total Equity	**19,955,216**	19,436,346
Net debt to equity ratio	**51%**	53%

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 GOVERNMENT GRANTS RECEIVED

There has been no movement for the year (2021: SR 1.7 million have been adjusted against the receivable balance and an amount of SR 0.14 million was set off against property and equipment). The deferred income against the government grant amounting to nil is recorded under deferred revenue (2021: SR 1.6 million).

35 CONTINGENT LIABILITIES

The Group had the below contingent liabilities in the form of letters of guarantee and letters of credit

	2022	2021
Letter of Guarantee	**30,206**	167,760
Letter of Credit	**211,250**	242,776
	241,456	410,536

The Group in the normal course of business is subject to and also pursuing lawsuits, proceedings, penalties and fines imposed by the regulator, municipalities and other claims from suppliers and telecommunication providers. The Group, after having consulted with its internal and external legal counsel and technical advisors, believes that these matters are not expected to have a significant impact on the financial position or the results of operations of the Group.

The CITC's violation committee has issued several penalty resolutions against the Group; which the Group has objected to. The reasons of issuing these resolutions vary between linking ID for the issued prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons. As of 31 December 2022, the amount of lawsuits and violations amounts to SR 2.9 million which has been provided for in full (2021: SR 13 million).

WITH HOLDING TAX (WHT)

On 18 Ramadan 1436H (corresponding to 7 July 2015), The Group received withholding tax assessments from ZATCA for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 267 million as withholding tax subject to delays penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

The Group appealed this claim on 27 August 2015 which resulted in the reduction of withholding tax claim amounted to SR 219 million to SR 48 million.

To appeal before the High Appeal Committee (HAC), the Group completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by ZATCA amounting SR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SR 43 million related to the penalty generated from the delay in paying the WHT.

On 3 June 2021, the HAC issued its decision on the final claim which was reduced to SR 8.4 million.

The Group received additional assessment with an amount of SR 269.3 million for certain withholding tax items for the years from 2015 to 2021. The Group has appealed those assessments against the relevant committees.

The Group believes that the outcome of those appeals will be in the Group's favor with no material financial impact as the Group has sufficient provisions to cover these amounts.

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 SEGMENT REPORTING

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Revenue is distributed to an operating segment based on the entity of the Group reporting the revenue. Sales between segments are calculated at normal business transaction prices.
The following is an analysis of the Group's revenues and results based on a segmental basis:

	For the year ended 31 December	
Revenues	**2022**	2021
Mobile Telecommunications Company	**8,797,837**	7,757,388
Zain Sales Company	**1,625,598**	1,856,543
Zain Payments Company-Tamam	**126,903**	15,620
Zain Drones Company	**1,115**	1,250
Eliminations / Adjustments	**(1,476,281)**	(1,730,155)
Total Revenues	**9,075,172**	7,900,646
Cost of operations	**(5,705,529)**	(4,765,338)
Depreciation and amortization	**(2,065,740)**	(2,429,597)
Expected credit loss (ECL)	**(214,792)**	(6,971)
Finance income	**10,331**	1,319
Other income	**48,369**	20,379
Finance cost	**(573,836)**	(489,158)
Zakat	**(24,309)**	(16,978)
Profit for the year	**549,666**	214,302

Revenue reported above represents revenue generated from external and internal customers. There were SR 1,476 million in 2022 (2021: SR 1,730) inter Group revenue and adjustments for Zain Sales Group eliminated at consolidation.

Following is the gross profit analysis on a segment basis:

	For the year ended 31 December	
	2022	2021
Mobile Telecommunications Company	**5,194,540**	4,861,413
Zain Sales Company	**48,448**	16,323
Zain Payments Company-Tamam	**106,675**	10,551
Zain Drones Company	**1,115**	1,250
Eliminations / Adjustments	**(35,408)**	(4,942)
Gross Profit	**5,315,370**	4,884,595

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 SEGMENT REPORTING (continued)

The following is an analysis of the Group's assets and liabilities based on a segmental basis:

Assets	**2022**	2021
Mobile Telecommunications Company	**38,440,502**	36,280,897
Zain Sales Company	**10,797,703**	8,880,038
Zain Payments Company-Tamam	**370,138**	75,980
Zain Drones Company	**4,079**	1,800
Eliminations / adjustments	**(21,256,586)**	(17,361,766)
Total Assets	**28,355,836**	27,876,949
Liabilities		
Mobile Telecommunications Company	**28,806,419**	27,373,845
Zain Sales Company	**10,650,927**	8,761,309
Zain Payments Company-Tamam	**219,062**	41,258
Zain Drones Company	**6,639**	3,443
Zain Business	**-**	20
Eliminations / Adjustments	**(21,127,079)**	(17,342,446)
Total Liabilities	**18,555,968**	18,837,429

The major addition and disposals in Property and equipment and intangibles along with associated depreciation and amortization relate to Mobile Telecommunications Group.

(All amounts in Saudi Riyals thousands unless otherwise stated)

37 HELD FOR SALE

The carrying amount of assets and liabilities held for sale are as follows:

Assets classified under held for sale	
Fixed assets *(refer note 11)*	
Cost	2,656,232
Accumulated depreciation*	(1,294,090)
	1,362,142
ROU – net *(refer note 10)*	**1,000,367**
Total assets held for sale	**2,362,509**

** Accumulated depreciation as at classification of asset to held for sale.*

Liabilities classified under held for sale	
Leased liabilities – net *(refer note 16)*	**801,950**

38 SUBSEQUENT EVENTS

On 9 January 2023, the group completed all the conditions relevant to the "Financial Completion" under the APA (Note1.4), and received a cash proceed of SR 2,421 million along with a 20% equity stake in GLI.

On 21 February 2023, the Group has signed a revised agreement with MOF (also refer note 18.1) in which the existing deferral of payment to MOF along with commercial commission payable is converted into a Murabaha facility and Al Rajhi Banking & Investment Corporation has been appointed as the Murabaha Facility Agent.

On 6 March 2023, the Group has entered into an agreement with Mobile Telecommunications Company K.S.C to revise the Management agreement (also refer note 17-1) into Brand Support Agreement. The revision along with prospective years also affected year ended 2022 and was duly adjusted as adjusting Item for the year 2022.

On 25 March 2023, the Board of Directors' recommendation to distribute cash dividends to shareholders for the fiscal year 2022, the distribution date is yet to be determined after approval of General Assembly approval.

In the opinion of the management, there have been no other significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

39 RECLASSIFICATION OF PRIOR YEAR PRESENTATION

During the year ended 31 December 2022, the Group reclassified certain balances as listed below, which are considered by management a more accurate presentation and reflects the related nature. These reclassifications have no impact on previously reported net income, retained earnings or cash positions:

Consolidated statement of profit or loss for the year ended 31 December 2021	**Previously reported**	**Amount of Reclassification**	**Reclassified amount**
Operating and administrative expenses	(1,749,287)	1,749,287	-
Distribution and marketing expenses	-	(1,466,549)	(1,466,549)
General and administrative expenses	-	(282,738)	(282,738)
Total reclassification	**(1,749,287)**	**-**	**(1,749,287)**

40 APPROVED CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 3 Ramadan 1444H (corresponding to 25 of March 2022).