

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

**CONSOLIDATED FINANCIAL
STATEMENTS AND AUDITOR'S
REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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Independent Audit Report

Independent auditor's Report

To the shareholders of
Mobile Telecommunication Company Saudi Arabia (A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Mobile Telecommunication Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, 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 endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 4 Feb 2020.

Key Audit Matters

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

Key audit matters	
<i>Revenue Recognition</i>	
<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>The Group's revenue consists primarily of subscription fees for telecommunication, data packages and other services through the use of the network amounting to SR 7.9 billion for the year ended 31 December 2020 (31 December 2019: SR 8.4 billion).</p> <p>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 performance obligations.</p> <p>Additionally, complexity associated with the network environment, dependency on IT applications, large volumes of data, changes due to price updates and promotional offers affecting the various products and services offered during the accounting period, as well as the materiality of the amounts involved.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Involved our IT specialists in testing the design, implementation and operating effectiveness of system internal controls related to revenue recognition. Evaluated the appropriateness of revenue recognition policies. Reviewed a sample of revenue reconciliations prepared by management between the primary billing system and the general ledger. Performed tests over the allocation of transactions price against different performance obligations involve in contracts. Assessed the transactions taken place before and after year end to ensure that revenue recognized in the appropriate period. Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 24 for related disclosures.	

Key audit matters (continued)	
<i>Capitalization of property and equipment</i>	
<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>The Group has recorded additions to property and equipment amounting to SR 2.07 billion during the current year. The Group continues to incur capital expenditure in connection with the expansion of its network coverage and improvements to network quality. The initial recognition and classification of property and equipment and certain elements of expenditure as either assets or expenses.</p> <p>We considered this as a key audit matter since it involves management's assumptions and estimates as well as the materiality of the amounts involved.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the capitalization policy. • Obtained a schedule of capitalized costs during the year and tested completeness and accuracy of the schedule. • Tested on sample basis, costs capitalized during the year with underlying supporting documentation; • Assessed the nature of cost incurred meet the criteria for capitalization under the relevant accounting standard; • Tested on sample basis, the cost of completed projects from assets under construction to operating property and equipment with supporting documentation and compared the date of capitalization with supporting documentation; • Tested whether the depreciation has been correctly computed from the date of capitalization. • Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 12 for related disclosures.	

Key audit matters (continued)	
<i>Modification of long term borrowings</i>	
<i>Key audit matter</i>	<i>How the Key audit matter was addressed in our audit</i>
<p>During the year the Group modified its terms of long term borrowings with the banks resulted in gain on modification of long term borrowing of SR 0.136 billion.</p> <p>IFRS 9 "financial instruments" require the Group to assess whether modification of terms of long term borrowings are substantial or not by considering the net present value of the cash flows under the modified terms with the net present value of original cash flows using the original effective interest rate.</p> <p>Based on the revised net present value of cash flows, it needs to be determined whether derecognition is required in accordance with the principals set out in IFRS 9.</p> <p>We considered this as a key audit matter since the complexity of the calculations and the significance of the amounts involved.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained the amended agreement for the long term borrowings and assessed the new terms and conditions. • Obtained the management's calculation for the test over modification and assessed whether management's calculation over modification including modification gain complies with the requirements of IFRS 9. • Verified the transaction cost and cash flows used in the management calculation is in accordance with the agreement. • Ensured that the rates used to discount the cash flows are in accordance with the agreement. • Checked the arithmetical accuracy of the calculation. • Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 16 for related disclosures.	

Other information

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") 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 endorsed by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the 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 the 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 judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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.
- 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, related safeguards.

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

For BDO Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362




Riyadh, on: 13 Rajab 1442(H)
Corresponding to: 25 February 2021(G)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7	1,103,401	1,157,438
Trade and other receivables	8	1,996,013	1,730,294
Contract assets - current	9	96,450	274,956
Inventories	10	187,103	241,972
Total current assets		3,382,967	3,404,660
Non-current assets			
Contract assets non-current	9	220,072	131,253
Right-of-use assets	11	1,284,888	1,448,479
Property and equipment	12	6,856,837	6,079,981
Capital advances	13	132,832	457,952
Intangible assets	14	16,280,159	16,215,928
Total non-current assets		24,774,788	24,333,593
TOTAL ASSETS		28,157,755	27,738,253
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	15	4,585,780	3,532,016
Deferred income and contract liabilities	9	544,086	621,319
Lease liabilities-current	17	319,150	364,098
Amounts due to related parties	18	3,649,514	-
Total current liabilities		9,098,530	4,517,433
Non-current liabilities			
Amounts due to related parties	18	-	6,375,763
Lease liabilities non-current	17	1,065,097	1,112,127
Other non-current liabilities	19	5,097,608	4,690,271
Long-term borrowings	16	3,836,145	6,707,034
Derivative financial instruments	20	206,210	127,899
Provision for employees' end of service benefits	21	125,082	104,875
Total non-current liabilities		10,330,142	19,117,969
EQUITY			
Share capital	23	8,987,292	5,837,292
Hedging reserve	20	(206,210)	(127,899)
Other reserve	21	2,018	1,584
Accumulated deficit		(54,017)	(1,608,126)
Total equity		8,729,083	4,102,851
TOTAL LIABILITIES AND EQUITY		28,157,755	27,738,253


Mehdi Khalfouji
CFO


Sultan Al-Deghaither
CEO


Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman


The accompanying 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 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
Revenue	24	7,916,545	8,386,227
Cost of revenue	25	(2,471,907)	(2,417,721)
Operating and administrative expenses	26	(1,762,980)	(1,898,652)
Depreciation and amortization	11,12,14	(2,439,122)	(2,311,551)
Allowance for expected credit loss on financial assets.	8,9	(240,572)	(247,249)
Finance income		11,939	26,338
Other income	27	27,574	10,891
Gain on modification of long-term borrowings	16-1	136,255	-
Finance costs	28	(898,206)	(1,044,501)
Profit before zakat		279,526	503,782
Zakat charged for the year	29	(19,581)	(18,607)
Net profit for the year		259,945	485,175
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' end of service benefits	21	434	4,886
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value on hedging instruments entered into for cash flow hedges	20	(78,311)	(106,313)
Total comprehensive income for the year		182,068	383,748
Earnings per share (in Saudi Riyals)			<i>Restated</i>
Basic and diluted	30	0.37863	0.71613


Mehdi Khalfoui
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Sultan Al-Doghhaither
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Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

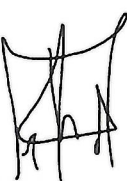
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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserve	Accumulated deficit	Total
Balance at 1 January 2019	5,837,292	(21,586)	(3,302)	(2,093,301)	3,719,103
Net profit for the year	-	-	-	485,175	485,175
Other comprehensive (loss) / income	-	(106,313)	4,886	-	(101,427)
Total comprehensive income for the year	-	(106,313)	4,886	485,175	383,748
Balance at 31 December 2019	5,837,292	(127,899)	1,584	(1,608,126)	4,102,851
Balance at 1 January 2020	5,837,292	(127,899)	1,584	(1,608,126)	4,102,851
Reduction of share capital to absorb accumulated deficit	(1,350,000)	-	-	1,350,000	-
Right issue	4,500,000	-	-	-	4,500,000
Right issue cost	-	-	-	(55,836)	(55,836)
	3,150,000	-	-	1,294,164	4,444,164
Net profit for the year	-	-	-	259,945	259,945
Other comprehensive (loss) / income	-	(78,311)	434	-	(77,877)
Total comprehensive income for the year	-	(78,311)	434	259,945	182,068
Balance as at 31 December 2020	8,987,292	(206,210)	2,018	(54,017)	8,729,083


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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		279,526	503,782
Adjustments to reconcile net profit for the year before zakat to net cash from operating activities:			
Allowance for expected credit loss on financial assets.	8.9	240,572	247,249
Depreciation and amortization	11,12,14	2,439,122	2,311,551
Other provisions		29,200	4,547
Reversal of provision for Inventory		(1,533)	-
Finance costs	28	898,206	1,044,501
Gain on disposal of property and equipment		(554)	(2,847)
Foreign currency (gain)/ loss		(6,449)	1,246
Gain on modification of long term borrowings		(136,255)	-
Provision for employees' end-of-service benefits	21	25,771	21,911
		3,767,606	4,131,940
Changes in working capital			
Trade and other receivables		(707,633)	(666,335)
Inventories		56,402	(18,967)
Movement of cash under lien		40,929	(1,227)
Contract assets		89,687	(101,569)
Trade and other payables		471,361	(433,598)
Contract liabilities		(77,232)	(99,158)
Other non-current liabilities		407,337	520,066
Cash flows generated from operating activities		4,048,457	3,331,152
Zakat paid	29	(13,934)	-
Employees' end of service benefits paid	21	(5,564)	(5,575)
Net cash generated from operating activities		4,028,959	3,325,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	(1,571,243)	(1,779,900)
Proceed from disposal of property and equipment	12	895	3,384
Purchase of intangible assets	14	(254,728)	(258,287)
Net cash used in investing activities		(1,825,076)	(2,034,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(3,507,000)	(2,550,000)
Proceeds from long terms borrowings		800,000	2,930,097
Proceed from right issue of share capital	1.3 (b)	2,772,527	-
Payment against amount due to related parties		(878,646)	-
Lease liabilities paid	17	(315,569)	(414,538)
Finance cost paid		(1,086,288)	(1,516,266)
Net cash used in financing activities		(2,214,976)	(1,550,707)
Net change in cash and cash equivalents		(11,093)	(259,933)
Effect of movements in exchange rates on cash and cash equivalents		(2,015)	(587)
Cash and cash equivalents at beginning of the year		895,902	1,156,422
Cash and bank balances at end of the year	7	882,794	895,902

Mehdi Khalfaoui

CFO

Sultan Al-Deghaither

CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer

Chairman

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 2007G) and No. 357 dated 28 Dhu Al-Hijjah 1428H (corresponding to 7 January 2008G), Royal Decree No. 48/M dated 26 Jumada I' 1428H (corresponding to 12 June 2007G) and Commercial Registration No. 1010246192 issued in Riyadh, Kingdom of Saudi Arabia (KSA) on 4 Rabi I' 1429H (corresponding to 12 March 2008H) to operate as the 3rd GSM public mobile cellular and 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 is a subsidiary of Oman Telecommunications Company SAOG, Oman.

On 16 Jumada I 1440 H (corresponding to 22 January 2019) the Company acquired 2600 MHz spectrum for a period of 15 years starting from 1 January 2020, for a total license fee of SR 324 million payable in equal annual installments for 15 years starting from 1 January 2020.

On 10 Rajab 1440 H (corresponding to 17 March 2019) the Company acquired 100 MHz of additional spectrum in the 3.5 GHz spectrum, for a period of 15 years starting from 1 January 2020, for a total license fee of SR 624 million payable in equal annual installments for 13 years starting from 1 January 2022.'

The Group realized net profit for the year ended 31 December 2020, SR 260 million (31 December 2019: SR 485 million) and had an accumulated deficit of SR 54 million as at this date (31 December 2019: SR 1.6 billion) and the current liabilities of the Group exceed the current assets of the Group by SR 5.7 billion (refer note 31) which includes SR 3.6 billion related to due to related parties (refer note 18). 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 undrawn part of the MFA amounting SR 5.2 billion (refer note 1.4). The directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES (continued)

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 Business Company is engaged in establishment, construction, repair and maintenance of telecom stations and towers. Share capital SR 10,000. The company is not operational yet.
- c. Zain Payments Company-Tamam is engaged in provide fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019. In 2020, the Company has revised its share capital amounting to SR 20,000,000.
- d. Zain Drones Company is engaged in provide 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 Capital restructure

- a) On 08 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which share capital reduction has been approved by the shareholder's. As per the approval of the EGA, the shareholders had approved to reduce the share capital through the cancelation of 135,000,000 shares. The share capital before the reduction amounted to SR 5,837,291,750 and the share capital after reduction was SR 4,487,291,750 by reducing of SR 1,350,000,000. The percentage change in share capital, after the share capital reduction ratio was 23.1%, therefore the reduction ratio per share is 0.23.
- b) On 14 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which capital increase of the Company through right issue has been approved by the shareholder's. As per the approval of the EGA, the shareholders had approved to increase the share capital through the issuance of 450,000,000 shares. The revised share capital after the right issue has been SR 8,987,291,750 by increasing the capital by SR 4,500,000,000; out of which Zain Group subscribed through a debt conversion of SR 1,667 million from the principal outstanding which is considered as a non-cash entry. The Percentage increase per share is 1.003 Rights per share.

1.4 Refinancing arrangements

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial 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. Therefore, on 30 September 2020, the Group utilized only the outstanding amount of the existing agreement (SR 3.85 billion). The Group has settled SAR 2.832 billion on November 30, 2020. The Group made an additional withdrawal of SAR 0.8 billion on 31 December 2020 as per the Group's business requirements. The undrawn part of the MFA amounts to SR 5.2 billion as at 31 December 2020. (Refer note 16)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard “IFRS” that is endorsed in the Kingdom of Saudi Arabia along with other pronouncement issued by Saudi Organization for Certified Public Accountant (SOCPA).

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except derivative financial instruments measure at fair value and the end of service benefits provision, which has been actuarially valued using the Projected Unit Credit Method.

The Group has used same accounting policies which were used for the year ended 31 December 2019, unless mentioned otherwise.

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 and its fully owned subsidiaries, as set out in (note 1.2). Subsidiaries are consolidated from the date on which ownership commences until the date its ceases. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Group and its fully owned subsidiaries have the same reporting periods. All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Following is the change in accounting policies during the year ended 31 December 2020.

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective from 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

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3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years.

Hedge accounting policy

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.

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3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (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.

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3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (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.

Certain amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial information of the Group.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have given rise to changes in the Group's accounting policies:

IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group is under the process of analyzing the possible impact of this reform and it's not practicable now to provide a reasonable estimate of the effects of application of this amendment until the Company performs a detailed review.

Other standards

New standards that have been adopted in the annual consolidated financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

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4 STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early

The following amendments are effective for the period beginning on or after 1 January 2021:

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 non-current, 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.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- and
- References to Conceptual Framework (Amendments to IFRS 3).

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

5 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for assets under construction and land.

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
Telecommunications 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

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

Assets under construction are stated at cost and not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets 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. 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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets.

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.

Cash and bank balances

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.

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”.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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.

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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

Where 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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

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.

Handsets and 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.

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. 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.

Value added services - Principal vs. agent

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.

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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

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.

Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss (FVTPL)

Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss in the finance income or expense line. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Fair value through other comprehensive income (FVOCI)

Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to statement of profit or loss and other comprehensive income.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve. The Company does not have any such financial assets. The Company does not have any financial instruments measured at FVOCI.

Amortized cost

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective profit rate method, less provision for impairment, if any.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

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

The Group does not have any debt instruments measured at FVOCI.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Group does not have any financial assets measured at FVTPL.

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

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

Subsequent measurement of financial assets.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Impairment of financial assets

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

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.

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.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss account. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in statement profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Loans and borrowings, lease liabilities, Accounts and other payables, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method.

De-recognition

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.

6 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.

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6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continued)

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

Impairment of Trade receivable and Contract assets

An estimate of the collectible amount of trade receivable and contract assets is made based on the expected credit loss model at an amount equal to the life time ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

Provision for employees' end of service benefits

The Group makes various estimates in determining the provision for employees' end of service benefits provision. These estimates are disclosed in note 18.

Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the General Authority of Zakat and Tax ("GAZT") and is subject to change based on final assessments received from the GAZT. 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 GAZT 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.

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6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (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 31 for further disclosures.

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.

7 CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	1,297	1,119
Cash at banks	1,102,104	556,319
Time deposits	-	600,000
	1,103,401	1,157,438
Cash at bank under lien	(220,607)	(261,536)
	882,794	895,902

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 2020 were 1.4% (2019: 2.47 %). The total commission earned by the Group during 2020 was SR 12 million (2019: SR 26.3 million).

8 TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	2,857,922	2,258,132
Less: Allowance for expected credit loss	(1,269,863)	(1,008,828)
Net trade receivables	1,588,059	1,249,304
Advances to suppliers	19,430	59,684
Prepayments	60,176	51,693
Advances for transmission lines and fiber links	17,975	51,731
Other receivables	310,373	317,882
	1,996,013	1,730,294

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8 TRADE AND OTHER RECEIVABLES (continued)

The breakdown of the Trade receivables is in Note31. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020	2019
Saudi Riyals	1,860,292	1,716,549
US Dollars	135,721	13,745
	1,996,013	1,730,294

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 19% of the total trade receivables balance (2019: 23%). There are no other customers who comprise more than 10% of the total trade receivables balance.

Trade receivables totaling SR 721 million (2019: SR 736 million) existed at the reporting date which were past due which had not been provided for, as per the policy, the amounts are still considered to be recoverable and there has not been a significant decrease in credit quality since credit was initially granted.

Age of overdue trade receivables not provided for

	2020	2019
60 to 90 days	398,945	443,249
120 to 180 days	94,775	103,880
180 to 360 days	84,108	111,583
Above 360 days	143,181	77,235
	721,009	735,947

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 on the allowance for doubtful debts

	2020	2019
Opening balance	1,008,828	764,822
Charged for the year	261,035	244,006
Amounts reversed during the year	-	-
Closing balance	1,269,863	1,008,828

Total amount charge in profit and loss

	2020	2019
Expected credit loss for the year	261,035	244,006
Reversal during the year*	(19,759)	-
Closing balance	241,276	244,006

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 prior period non recoverable balance provided as bad debt for VAS.

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9 CONTRACT BALANCES

Contract assets

	2020	2019
Unbilled revenue	319,061	409,452
Less: Allowance for impairment losses	(2,539)	(3,243)
	316,522	406,209
Current	96,450	274,956
Non-current	220,072	131,253
	316,522	406,209

Movement on the expected credit allowance on contract assets

	2020	2019
Opening balance	3,243	-
Amounts reversed during the year	(704)	3,243
Closing balance	2,539	3,243

	2020	2019
Deferred income and contract liabilities		
Contract liabilities – Prepaid Customers	490,254	621,319
Deferred income- Government Grant (refer note 34)	53,832	-
	544,086	621,319

10 INVENTORIES

	2020	2019
Handsets and accessories	195,341	255,796
Sim cards	6,169	1,676
Prepaid recharge cards	1,661	1,072
Other inventories	1,560	2,589
	204,731	261,133
Less: provision for obsolescence	(17,628)	(19,161)
	187,103	241,972
Cost of inventories recognized as an expense	810,750	1,113,967

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11 RIGHT OF USE ASSETS

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

2020

	Land and building	Cellular and other equipment	Total
Opening Balance	1,295,627	152,852	1,448,479
Add: Additions	228,111	-	228,111
Less: Amortizations	(281,894)	(65,142)	(347,036)
Less: Retirements	(29,185)	(15,481)	(44,666)
Closing balance	1,212,659	72,229	1,284,888

2019

Opening Balance	1,218,222	366,981	1,585,203
Add: Additions	400,725	14,639	415,364
Less: Amortizations	(301,832)	(104,908)	(406,740)
Less: Retirements	(21,488)	(123,860)	(145,348)
Closing balance	1,295,627	152,852	1,448,479

The total amount recorded in profit or loss for right of use assets includes 26 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

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12 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 2020	6,549	313,886	13,794,841	631,180	144,854	3,851	78,828	14,973,989
Additions	-	2,580	1,443,558	39,754	2,267	-	581,561	2,069,720
Transfer	-	809	27,822	2,634	-	-	(35,926)	(4,661)
Disposals	-	-	-	(3,086)	(254)	-	-	(3,340)
At 31 December 2020	6,549	317,275	15,266,221	670,482	146,867	3,851	624,463	17,035,708
Depreciation								
At 1 January 2020	-	289,147	7,946,197	531,560	123,293	3,811	-	8,894,008
Additions	-	14,210	1,218,734	42,875	12,093	16	-	1,287,928
Disposals	-	-	-	(2,811)	(254)	-	-	(3,065)
At 31 December 2020	-	303,357	9,164,931	571,624	135,132	3,827	-	10,178,871
Net book value	6,549	13,918	6,101,290	98,858	11,735	24	624,463	6,856,837

	Land	Leasehold improvements	Telecom equipment	IT systems and servers	Furniture and office equipment	Transportation equipment	Assets under construction	Total
Cost								
At 1 January 2019	6,549	359,047	12,543,247	642,727	182,433	3,851	272,423	14,010,277
Additions	-	4,049	1,158,286	13,237	4,480	-	53,175	1,233,227
Transfer	-	4,674	103,674	42,020	29	-	(181,015)	(30,618)
Disposals	-	(53,884)	(10,366)	(66,804)	(42,088)	-	(65,755)	(238,897)
At 31 December 2019	6,549	313,886	13,794,841	631,180	144,854	3,851	78,828	14,973,989
Depreciation								
At 1 January 2019	-	321,471	6,859,280	555,164	147,954	3,794	-	7,887,663
Additions	-	21,400	1,097,006	41,591	17,305	17	-	1,177,319
Disposals	-	(53,724)	(10,089)	(65,195)	(41,966)	-	-	(170,974)
At 31 December 2019	-	289,147	7,946,197	531,560	123,293	3,811	-	8,894,008
Net book value	6,549	24,739	5,848,644	99,620	21,561	40	78,828	6,079,981

The Group has capitalized, internal technical salaries, during the year ended 31 December 2020 amounting to SR 25 million.

During the year, the net additions in property and equipment amounted to SR 2,066 million, including non-cash addition with an amount of SR 498 million

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13 CAPITAL ADVANCES

	2020	2019
Capital advances	132,832	457,952

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.

14 INTANGIBLE ASSETS

	License fee*	Computer software licenses	IRU **	Brand	Spectrum***	Total
Cost						
At 1 January 2020	23,364,230	437,182	1,226,082	7,500	1,277,992	26,312,986
Additions	-	13,817	217,979	-	605,497	837,293
Transfers in	-	2,661	-	-	2,000	4,661
Disposals	-	(840)	-	-	-	(840)
At 31 December 2020	23,364,230	452,820	1,444,061	7,500	1,885,489	27,154,100
Amortization						
At 1 January 2020	9,376,116	330,038	258,657	-	132,247	10,097,058
Additions	517,134	38,588	96,235	-	125,698	777,655
Disposals	-	(772)	-	-	-	(772)
At 31 December 2020	9,893,250	367,854	354,892	-	257,945	10,873,941
Net book value	13,470,980	84,966	1,089,169	7,500	1,627,544	16,280,159

	License fee*	Computer software licenses	IRU **	Brand	Spectrum***	Total
Cost						
At 1 January 2019	23,364,230	428,456	1,127,617	7,500	705,716	25,633,519
Additions	-	8,966	92,724	-	571,776	673,466
Transfers in	-	24,377	5,741	-	500	30,618
Disposals	-	(24,617)	-	-	-	(24,617)
At 31 December 2019	23,364,230	437,182	1,226,082	7,500	1,277,992	26,312,986
Amortization						
At 1 January 2019	8,858,983	309,791	177,019	-	47,047	9,392,840
Additions	517,133	43,520	81,638	-	85,200	727,491
Disposals	-	(23,273)	-	-	-	(23,273)
At 31 December 2019	9,376,116	330,038	258,657	-	132,247	10,097,058
Net book value	13,988,114	107,144	967,425	7,500	1,145,745	16,215,928

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14 INTANGIBLE ASSETS (continued)

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

	End of amortization period	2020	2019
License fee	Jan 2047	13,470,980	13,988,114
Right of Use (multiple items)	Between 2023 & 2034	1,089,168	967,425
Spectrum 2x10Mhz of 1800Mhz	Dec 2032	564,574	611,620
Spectrum 2x10 of 800 Mhz	Dec 2033	495,972	534,125
Spectrum 2600 & 3500 Mhz	Dec 2034	566,998	-
		16,187,692	16,101,284

During the year, the net additions in intangible assets amounted to SR 805 million out of which the spectrum additions amounts to SR 605 million. The additions includes non-cash addition with an amount of SR 582 million.

****License fee***

Pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 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 in accordance with accounting standards applicable in the Kingdom of Saudi Arabia at that time.

The High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016), which was announced by the Capital Market Authority on 01 Muharram 1438 H (corresponding to 02 October 2016), directed the Communications and Information Technology Commission (CITC) to coordinate with Mobile Telecommunication Company Saudi Arabia (Zain) to extend its license for an additional 15 years' period. This extended the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (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 and 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.

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15 TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	1,400,769	966,001
Accruals	1,231,689	677,614
Notes payable	559,533	432,085
Accrued government charges	205,481	819,540
M.O.F Accrued Finance Cost	52,051	87,384
Employee related accruals	43,566	74,720
Zakat provision	24,254	18,607
Payable to M.O.F-Current	538,006	-
Accrued Financial Charges	1,587	872
Other payables	528,844	455,193
	4,585,780	3,532,016

Accrued government charges and other payables contain regulatory and legal provisions for the amount of SR 400 million (2019: SR 999 million). This movement in the provision is a non-cash transaction.

Trade payables includes amount due to related parties amounting to SR 2.3 million (2019: SR 4.4 million) for providing telecommunication services to related parties.

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.

16 LONG-TERM BORROWINGS

	2020	2019
Syndicate Murabaha facility (refer to note 16.1)	1,591,309	4,471,085
Junior Murabaha Facility Agreement (refer to note 16.2)	2,244,836	2,235,949
Long term borrowings	3,836,145	6,707,034

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

	2020	2019
Saudi Riyals	3,538,002	5,427,873
US Dollar	298,143	1,279,161
	3,836,145	6,707,034

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16 LONG-TERM BORROWINGS (continued)

16-1 Syndicated Murabaha facility

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial 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 2020, the Group utilized only the outstanding amount of the existing agreement SR 1.8 billion against 7 billion existing facility. As at 31 December 2020, total undrawn amount against MFA is amounting to SR 5.2 billion

On 31 July 2013, the Group had refinanced 2009 “Murabaha financing agreement” with a consortium of banks, which also includes existing Murabaha facility investors to extend the maturity date of its Murabaha facility for five years until 30 June 2018, which was due on 31 July 2013. This facility principal stood at SR 8.6 billion with the SR portion totaling SR 6.3 billion and the USD portion totaling USD 0.6 billion (SR 2.3 billion). This facility has been restructured as an amortizing facility, 25% of which will be due during years 4 to 5 of the life of the facility, as a mandatory minimum amount due, with 75% due at maturity date. The Group settled SR 2.7 billion from this facility bringing the outstanding principal to SR 5.9 billion at the maturity date.

On 5 June 2018, the Group has refinanced 2013 “Murabaha financing agreement” and extended the maturity date for additional five years until 29 June 2023 with a three years’ grace period. The new facility principal stands, at the financing day, at SR 5.9 billion with the SR portion totaling SR 4.25 billion and the USD portion totaling USD 0.45 billion (SR 1.705 billion). Moreover, the agreement includes a working capital facility totaling SR 0.6473 billion with the SR portion totaling SR 0.4624 billion and the USD portion totaling USD 0.0493 billion (SR 0.1849 billion) for two years. The working capital facility has not been utilized yet.

Financing charges, as specified under the “Murabaha financing agreement” are payable in quarterly installments over five years. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C 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.

During the third quarter of 2018, the Group made an early voluntary payment for (SR portion: SR 428.3 million, and the USD portion: USD 45.8 million) totaling SR 600 million.

During the fourth quarter of 2018, the Group made a second early voluntary payment for (SR portion: SR 374.81 million, and the USD portion: USD 40.05 million) totaling SR 525 million.

During the second quarter of 2019, the Group made the third early voluntary payment for (SR portion: SR 214.2 million, and the USD portion: USD 22.88 million) totaling SR 300 million .

During the second quarter of 2020, the Group made a fourth early voluntary payment for (Saudi Riyals portion: SR 481.9 million, and the USD portion: USD 51.5 million) totaling SR 675 million.

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16 LONG-TERM BORROWINGS (continued)

Syndicated Murabaha facility (continued)

The Group recalculates the gross carrying amount of the of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate and accordingly adjusted the gross carrying amount of the loan to reflect actual and revised estimated contractual cash flows. The difference between the existing carrying amount of the Murabaha facility and the revised gross carrying amount amounts to SR 136 million which has been recognized in consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

16-2 Junior Murabaha

On 16 June 2019, the Group has signed a new Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks. to settle its existing commercial loan which has been obtained from Industrial and Commercial Bank of China (ICBC). The agreement has better terms and will have lower financing cost. The duration of the agreement is two years, with an option to be extended for one year upon Group's request. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. Financing charges are payable in quarterly installments.

17 LEASE LIABILITIES

	2020	2019
Opening Balance	1,476,225	1,609,819
Additions	196,604	373,200
Finance Cost	79,103	83,808
Retirements/ termination	(52,116)	(176,064)
Payments	(315,569)	(414,538)
Closing Balance	1,384,247	1,476,225
Current	319,150	364,098
Non-Current	1,065,097	1,112,127
	1,384,247	1,476,225

Majority of the lease liabilities contracts are denominated in Saudi Riyals. Please refer to note 31 for the maturity analysis of the lease liabilities.

18 AMOUNTS DUE TO RELATED PARTIES

	2020	2019
Mobile Telecommunications Company K.S.C (refer to note 18.1)	1,326,583	1,356,121
Mobile Telecommunications Company K.S.C (refer to note 18.3)	2,159,267	4,856,420
Founding shareholders (refer to note 18.2)	130,861	130,861
Infra Capital Investments (refer to note 18.3)	32,698	32,256
Other related parties	105	105
	3,649,514	6,375,763
Current	3,649,514	-
Non-Current	-	6,375,763

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18 AMOUNTS DUE TO RELATED PARTIES (continued)

18-1 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 but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 16.1.

18-2 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 16.1.

18-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts are payable to shareholders. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility referred to in note 16.1. These amounts include accrued financial charges of SR 1,122 million (2019: SR 1,413 million).

19 OTHER NON-CURRENT LIABILITIES

	2020	2019
Payable to M.O.F	3,500,614	3,578,590
Long-term Payable - Spectrum	1,389,951	922,688
Other	207,043	188,993
	5,097,608	4,690,271

During 2013, the Group has signed an agreement with the Ministry of Finance (MOF), Saudi Arabia to defer payments of its dues to the government for the next seven years. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting September 2021. The amount deferred by the Group as of 31 December 2020 amounted to SR 4,039 million out of which SR 538 million is recognised under trade and other payables (31 December 2019: SR 3,578 million). The accrued interest related to the MOF payable is recorded under trade and other payables.

20 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 16-1). The outstanding notional amount of the contract as at 31 December 2020 was SR 1,827 million (31 December 2019: SR 2,980 million) and the fair value was a negative amount of SR 206 million as at 31 December 2020 (31 December 2019: SR 127.9 million). The group has changed the accounting policy to account for the hedging instruments from IAS 39 to IFRS 9 however the existing accounting treatment followed by the group is consistent with the requirement of IFRS 9 (refer note 3). The average contracted fixed interest rate ranges from 2% to 3%. A loss of SR 78.3 million was recognized in other comprehensive loss for the year ended 31 December 2020 (31 December 2019: SR 106.3 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.

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21 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2020	2019
Opening balance	104,875	93,425
Current service cost	21,683	17,596
Interest cost	4,522	4,315
Payments	(5,564)	(5,575)
Actuarial gain	(434)	(4,886)
Closing balance	125,082	104,875

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:

	2020	2019
Attrition rates	10% to 13%	10% to 13%
Salary increases	3%	4%
Discount rate	3.65%	4.45%

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.

	2020	2019
Base Scenario	125,082	104,875
Discount Rate: Increase by 1%	112,964	94,927
Discount Rate: Decrease by 1%	139,333	117,200
Salary Escalation Rate: Increase by 1%	139,281	117,130
Salary Escalation Rate: Decrease by 1%	112,783	94,291

Particulars	2020	2019
Change in Financial Assumption	2,720	(4,912)
Change in the Salary Escalation Rate Assumption	12,549	-
Change in the Discount Rate	(9,829)	(4,912)
Change in Demographic Assumption	-	-
Change in the Mortality Rate Assumption	-	-
Change in the Attrition Rate Assumption	-	-
Experience Adjustment	(2,286)	9,798
Total Actuarial Gain	434	4,886

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21 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

	2020	2019
Other reserve		
Opening balance	1,584	(3,302)
Remeasurement	434	4,886
Closing balance	2,018	1,584

22 RETIREMENT BENEFIT CONTRIBUTIONS

The Group paid retirement contributions for its Saudi Arabian employees for year 2020 to the General Organization for Social Insurance SR 22 million (2019: SR 25 million)

23 SHARE CAPITAL

The share capital of the Group as at 31 December 2020 comprised 898,729,175 shares (31 December 2019: 583,729,175) stated at SR 10 per share owned (Refer note 1.3).

Reconciliation of Equity shares at the start and end of the year

	2020
Number of share as at 01 January 2020	583,729,175
Adjustment of shares against accumulated losses	(135,000,000)
Total shares before the right issue	448,729,175
Issue of shares	450,000,000
Number of shares as at 31 December 2020	898,729,175

24 REVENUE

24.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2020	2019
Usage charges	5,165,575	5,168,081
Subscription	1,802,983	1,921,340
Sale of goods	774,791	1,135,921
Other revenue	173,196	160,885
	7,916,545	8,386,227

Timing of revenue recognition

PO satisfied over period of time – airtime and data	7,141,754	7,250,306
PO satisfied a point in time – trading income	774,791	1,135,921

25 COST OF REVENUE

	2020	2019
Access charges	1,311,696	1,071,244
Cost of devices	807,082	1,106,428
Other	353,129	240,049
	2,471,907	2,417,721

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26 OPERATING AND ADMINISTRATIVE EXPENSES

	2020	2019
Employees' salaries and related charges	560,403	622,825
Rent expenses	30,956	51,461
Repairs and maintenance	529,553	478,904
Service rendered and Branding fees (Note 18-1)	120,338	215,504
Biometric Expense	11,538	22,241
Microwave Frequency	93,740	94,390
Advertising	91,474	112,098
Leased lines	60,147	56,140
Utilities	91,923	75,003
Consulting	31,676	56,568
Other	141,232	113,518
	1,762,980	1,898,652

27 OTHER INCOME

	2020	2019
Foreign exchange (loss) / gains	6,449	(1,246)
Income from government grant	-	9,290
Gain on disposal of assets	1,296	2,847
Gain on leases	16,625	-
Other	3,204	-
	27,574	10,891

28 FINANCE COST

	2020	2019
Syndicate Murabaha facility	286,857	342,560
Related parties	256,305	323,893
Ministry of finance	128,687	131,326
Interest on leases liability	79,103	83,808
ICBC facility	-	69,661
Murabaha facility junior	63,191	39,584
Interest on spectrum	84,063	53,669
	898,206	1,044,501

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29 PROVISION FOR ZAKAT

Components of zakat base

The significant components of the Group's approximate zakat base, for the year ended 31 December 2020, which are subject to certain adjustments under zakat and income tax regulations, principally comprise the following:

	2020	2019
Shareholders' equity at beginning of year	7,369,141	4,037,136
Provisions at beginning of year	1,418,294	1,130,340
Long-term borrowings and shareholders' advances	12,963,297	16,662,260
Other non – current liabilities	2,031,084	922,688
Adjusted net profit for the year (see below)	783,255	744,268
Zakat Provision opening balance	4,672	
Property and equipment	(8,138,032)	(6,079,981)
Intangible assets	(16,283,853)	(16,215,928)
Capital advances	(132,832)	(457,952)
Approximate positive Zakat base of the Group	(768,229)	742,831

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

Components of adjusted net profit

	2020	2019
Net profit for the year	279,526	485,175
Provision for employees' end of service benefits	20,207	11,450
Allowance for doubtful debts and slow moving inventory	500,073	244,006
Other provisions	(16,551)	3,637
Adjusted net profit for the year	783,255	744,268

Zakat provision

	2020	2019
Balance at beginning of the year	18,607	-
Charge for the year	19,581	18,607
Payment made during the year	(13,934)	-
Balance at end of the year	24,254	18,607

Zakat provision is mentioned under Note 15.

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29 COMPONENTS OF ZAKAT BASE (continued)

Status of assessments

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

The Group had submitted its consolidated financial statements along with group zakat and returns for the years 2009 to 2019 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), the Group received the Zakat and withholding tax assessments from General Authority of Zakat and Tax (GAZT) for the years 2009 to 2011 whereby they asked to pay an additional amount of SR 620 million of which SR 352 million are related to Zakat differences and SR 267 million as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

Zain appealed this claim for additional payments on 27 August 2015, and was able to have the amount of SR 352 million related to Zakat revoked entirely. In addition, SR 219 million of the withholding tax claim was also revoked.

To appeal before the High Appeal Committee (HAC), Zain completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by GAZT 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.

Based on the above, Zain received the reassessment letter for the paid amount and presented its objections before the HAC on the preliminary Appeal Committee opinion on 19 November 2017.

Zain received additional assessment for the remaining years until 2019. The company is in the process of appealing those assessments in early 2021.

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

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 2020 or 2019. Profit attributable to the shareholders use in calculating EPS is 259 million for the year 2020 (2019: SR 485 million)

Weighted average number of ordinary shares

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

	2020	2019
		<i>Restated</i>
Outstanding during the year	686,539	677,495
Basic earnings per share (SR)	0.37863	0.716131

Basic earnings per share is calculated by dividing the profit after tax 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.

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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

Foreign currency risk management

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	Foreign currency				
	Date	Foreign currency	Foreign currency amount	Exchange rate	
Trade and other payables	2020	Euro	865	4.48	3,875
Trade and other payables	2019	Euro	307	4.06	1,245

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31 FINANCIAL INSTRUMENTS (continued)

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

2020	Foreign	Foreign currency	Exchange	
Details	currency	amount	rate	
Cash and bank balances	Euro	133	4.49	597
Cash and bank balances	GBP	293	5.47	1,602
				2,199

2019	Foreign	Foreign currency	Exchange	
Details	currency	amount	rate	
Cash and bank balances	Euro	144	4.20	607
Cash and bank balances	GBP	361	4.84	1,749
				2,356

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Europe (Euro) and the United Kingdom (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.

2020 Currency	Impact on profit
Euro	30
GBP	80

2019 Currency	Impact on profit
Euro	30
GBP	87

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.

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31 FINANCIAL INSTRUMENTS (continued)

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 2020 would decrease or increase by SR 44,910,296 (31 December 2019: 54,252,164). 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 8. 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.

Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. For customer, distributors, roaming and interconnect trade receivables significant increase in credit risk criteria does not apply since 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.

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31 FINANCIAL INSTRUMENTS (continued)

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.

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

	2020	2019
	Simplified approach	Simplified approach
	Lifetime	Lifetime
	Total	Total
Customers	1,984,900	1,638,123
Distributors	262,567	274,039
Contract assets	319,061	409,452
Less: ECL	(1,266,430)	(1,009,403)
	1,300,098	1,312,211
 Roaming partners	 60,166	 43,834
Other operators (interconnect)	541,710	289,233
Less: ECL	(5,890)	(2,586)
	595,986	330,481
 Other receivables	 8,579	 12,903
Less: ECL	(82)	(82)
	8,497	12,821

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

	2020	2019
Collectively assessed	1,266,430	1,009,403
Individually assessed	5,972	2,668
	1,272,402	1,012,071

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31 FINANCIAL INSTRUMENTS (continued)

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 2020 under IFRS 9	1,009,403	2,668	1,012,071
Amounts reversed	(704)	-	(704)
Net increase in loss allowance	257,731	3,304	261,035
31 December 2020	1,266,430	5,972	1,272,402

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.

	2020			2019		
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	895,214	0.37%	3290	899,860	0.40%	3,606
31 – 60 days	45,444	0.28%	127	87,086	0.12%	108
61 – 90 days	40,963	0.42%	170	36,328	0.13%	47
91 – 180 days	123,742	23.41%	28,967	129,374	19.71%	25,494
> 181 days	168,510	50.09%	84,402	187,608	40.52%	76,025
> 361 days	1,292,655	88.92%	1,149,474	981,358	92.13%	904,123
	2,566,528		1,266,430	2,321,614		1,009,403

Credit quality of roaming, interconnect and other balances:

	2020	2019
Credit quality – Performing	602,560	343,972
Impaired	7,895	1,998
ECL	(5,972)	(2,668)
	604,483	343,302

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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 2020 the Group have the undrawn working capital facility of SR 1 billion and the undrawn term facility amounting to SR 4.2 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
<i>At 31 December 2020</i>						
Borrowings	136,207	3,003,086	1,577,364	-	4,716,657	3,836,145
MOF payable	722,305	684,743	1,891,809	1,514,467	4,813,324	4,038,620
Trade and notes payable	2,489,146	-	-	-	2,489,146	2,489,146
Due to related parties	3,828,408	-	-	-	3,828,408	3,649,514
Lease liabilities	379,975	288,941	544,479	330,941	1,544,336	1,384,247
Long term payables – Spectrum	140,698	377,396	377,396	1,164,596	2,060,086	1,530,649
Net Settled derivative liabilities) Interest rate Swap	56,651	64,018	85,348	-	206,017	206,210
	<u>7,753,390</u>	<u>4,418,184</u>	<u>4,476,396</u>	<u>3,010,004</u>	<u>19,657,974</u>	<u>17,134,531</u>

At 31 December 2019

Borrowings	328,186	5,549,410	1,904,126	-	7,781,722	6,707,034
MOF payable	153,879	953,879	3,050,106	-	4,157,864	3,578,590
Trade and notes payable	1,853,279	-	-	-	1,853,279	1,853,279
Due to related parties	-	-	7,521,651	-	7,521,651	6,375,763
Lease liabilities	484,563	378,002	724,521	549,068	2,136,154	1,476,225
Long term payables – Spectrum	119,098	238,196	357,294	538,195	1,252,783	922,688
Net Settled derivative liabilities) Interest rate Swap	66,363	77,394	88,146	-	231,903	127,899
	<u>3,005,368</u>	<u>7,196,881</u>	<u>13,645,844</u>	<u>1,087,263</u>	<u>24,935,356</u>	<u>21,041,478</u>

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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 2020		31 December 2019	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	206,210	206,210	127,899	127,899

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.

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31 FINANCIAL INSTRUMENTS (continued)

	2020	2019
Financial Assets		
Financial assets at amortized cost:		
Cash and banks	1,103,401	1,157,438
Trade receivables	1,588,059	1,249,304
Total financial assets at amortized cost	2,691,460	2,406,742
Total financial assets	2,691,460	2,406,742
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables, Notes payable	2,489,146	1,853,278
MOF payable-current	538,006	-
Due to related parties	3,649,514	6,375,763
Other non-current liabilities	4,890,565	4,501,278
Borrowings	3,836,145	6,707,034
Total Financial liabilities at amortized cost:	15,403,376	19,437,353
Financial liabilities at fair value:		
Derivative Financial Instruments	206,210	127,899
Total financial liabilities at fair value	206,210	127,899
Total financial liabilities	15,609,586	19,565,252

31.4 LIBOR Reform Transition

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will not significantly impact the Group's current risk management strategy and possibly accounting for certain financial instruments. The Group has certain USD dominated long-term loans, amounting to SAR 148.8 million, which are exposed to the impact of LIBOR. The Group has adopted Secured Overnight Financing Rate ("SOFR"), as a benchmark rate in place of LIBOR, that is recommended by the Alternative Reference Rates Committee ("ARRC") appointed by US Federal Reserves Board.

Mitigation actions:

The Group has established program across all its business lines, operational areas and geographical regions that focuses on:

- assessing and reducing the Group's and clients' exposure to legacy LIBOR contracts by amending or replacing existing contracts to either include robust fall back provisions and or replace LIBOR with risk free rates or an alternative rate. (refer note 20)
- Enhancing existing infrastructure and financial models to prepare for a smooth transition to alternative risk-free reference rates.

The Group continues to develop and implement plans to mitigate the risks associated with LIBOR cessation as alternative reference rates develop.

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32 RELATED PARTY INFORMATION

During the year, the Group transacted with following related parties

Party	Relationship
Oman Telecommunications Group SAOG	Parent Group 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

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

	2020	2019
Revenue from a entities owned by shareholder	24,904	19,415
Purchases from entities owned by shareholder	94,331	78,301
Fees charged by a Founding shareholders (note 26)	120,338	215,504
Finance charges charged by a Founding shareholder (note 28)	256,306	323,893

The following balances were outstanding at the reporting date:

	2020	2019
Amounts due to a founding shareholders	3,649,514	6,375,658
Amounts due to a subsidiaries of Group	105	105
Amounts due from a Founding shareholders	665	2,295
Amounts due from a subsidiaries	-	230

Other amounts due to related parties are disclosed in note 18 .

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 18. No amounts have been expensed in the current year for doubtful debts 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

	2020	2019
Short-term benefits	36,249	33,194
Long-term benefits	2,893	2,502

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33 CAPITAL COMMITMENTS

The Group had capital commitments totaling SR 194 million (31 December 2019: SR 1,441 million)

The Group had contractual commitments for intangible assets totaling SR Nil, related to Spectrum in 2020, the spectrum's commitment for the prior year amounts to SR 948 million which has been operational in 2020

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:

	2020	2019
Net Debt	8,155,611	10,604,411
Total Equity	16,884,694	14,707,262
Net debt to equity ratio	48%	72%

34 GOVERNMENT GRANTS RECEIVED

The Group received total government grant income during 2020: SR 150 million (2019: SAR 18 million). The amount of 93 million have been adjusted against the receivable balance and an amount of SR 3 million was set off against property and equipment (2019: SR 172 million) and SR Nil was included in the net profit of this year (2019: SR 9 million). The deferred income against the government grant amounting to SAR 53,832 is recorded under deferred revenue.

35 CONTINGENT LIABILITIES

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

	2020	2019
Letter of Guarantee	78,352	100,286
Letter of Credit	170,000	161,250
	248,352	261,536

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 2020 the amount of lawsuits and violations amounts to SAR 60.36 million which has been recorded fully.

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36 SEGMENT REPORTING

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

	For the year ended 31 December	
Revenues	2020	2019
Mobile Telecommunications Group	7,640,573	8,084,684
Zain Sales Group	2,359,948	2,874,790
Zain Payment - Tamam	729	23
Zain Drones	-	-
Eliminations / Adjustments	(2,084,705)	(2,573,270)
Total Revenues	7,916,545	8,386,227
Cost of operations	(4,234,887)	(4,316,373)
Depreciation and amortization	(2,439,122)	(2,311,551)
Expected credit loss on financial assets (ECL)	(240,572)	(247,249)
Interest income	11,939	26,338
Other income	27,574	10,891
Gain on Modification of borrowings	136,255	-
Finance cost	(898,206)	(1,044,501)
Zakat	(19,581)	(18,607)
Net Profit	259,945	485,175

Revenue reported above represents revenue generated from external and internal customers. There were SR 2,084 million in 2020 (2019: SR 2,573) inter Group revenue and adjustments for Zain Sales Group eliminated at consolidation.

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

	2020	2019
<u>Assets</u>		
Mobile Telecommunications Group	35,328,930	31,947,008
Zain Sales Group	6,602,773	3,765,265
Zain Payment - Tamam	27,653	734
Zain Drones	473,854	317
Eliminations / Adjustments	(14,275,455)	(7,975,071)
Total Assets	28,157,755	27,738,253
<u>Liabilities</u>		
Mobile Telecommunications Group	26,774,782	27,952,376
Zain Sales Group	6,458,833	3,666,648
Zain Payment - Tamam	18,043	880
Zain Drones	1,701	584
Zain Business	10	-
Eliminations / Adjustments	(13,824,697)	(7,985,086)
Total Liabilities	19,428,672	23,635,402

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

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37 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements.

Impairment of non-financial assets

The Group has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

Expected Credit Losses ("ECL") and impairment of financial assets

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements has been appropriately prepared on a going concern basis.

38 COMPARATIVE FIGURES

Certain reclassifications have been made to the consolidated financial statements of prior year to conform to the current year presentation. Significant reclassification made has been made in the consolidated statement of financial position for payables to MOF from long-term borrowings to other non-current liability for an amount of SR 3,579 million as at 31 December 2019. As the management have reassessed in details the agreement and concluded it as a payable in nature.

39 SUBSEQUENT EVENTS

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

40 APPROVED CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 18th of February 2021.