Saudi Telecom Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Building a better working world

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

C.R. No. 1010383821

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

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

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

Opinion

We have audited the accompanying consolidated financial statements of Saudi Telecom Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to these consolidated financial statements, including a summary of material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("IFRS as endorsed by SOCPA").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Building a better working world

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

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition	
The Group's revenue consists primarily of telecommunication, data packages and use of the network subscription fees totalling SR 72.3 billion for the year ended 31 December 2023. We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and estimates. Additionally, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, changes caused by price updates and promotional offers affecting the various products and services offered, as well as the materiality of the amounts involved. *Refer to note **4.5** for the accounting policy related to revenue recognition and note **35** for the related disclosures.*	Our audit procedures included, among others, the following: • Involved our IT specialists to test the design, implementation and operating effectiveness of system internal controls related to revenue recognition. • Assessed the Group's revenue recognition policies, for compliance with IFRS as endorsed by SOCPA. • Inspected a sample of revenues reconciliations prepared by management between the primary billing system and the general ledger. • Tested, on a sample basis, the accuracy of customer invoice generation and tested a sample of the credits and discounts applied to customers invoices. • Tested, on a sample basis, customers cash receipts back to the invoice. • Performed analytical procedures by comparing expectations of revenues with actual results and analysed variances. • Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Allowance for impairment of trade receivable</td></tr>
<tr><td>
As at 31 December 2023, the Group's gross trade receivables amounted to SR 23.8 billion against which an impairment allowance of SR 2.4 billion is maintained.
The Group uses the expected credit loss model (ECL) as required by IFRS as endorsed by SOCPA to calculate allowance for impairment in trade receivable. Further, the Group perform an assessment based on a set of relevant qualitative factors for some of the customers categories.
We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.
Refer to notes 4.18.3 and 5.2.5 for the accounting and critical judgements policies related to allowance for impairment of trade receivable and note 18 for the related disclosures.
</td><td>
Our audit procedures performed included, among others, the following:

Assessed the design, implementation, and operating effectiveness of the key controls over the following:
- Recording of trade receivables and settlements.
- Trade receivables aging reports.
Assessed significant assumptions, including collection rates, recovery rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss.
Tested the mathematical accuracy of the ECL model.
In addition to the above, we also performed the following procedures for certain customers categories where the Group performed a standalone assessment:
- Inspected the respective meeting minutes for standalone assessments.
- Obtained an understanding of the latest development and the basis of measuring the allowance and assessed management assumption given the circumstances.
- Tested, on a sample basis, the calculation performed by management of the allowances.
Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

</td></tr>
</table>

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalization of property and equipment	
The Group has a substantial capital expenditures plan and therefore incurs significant annual expenditures in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment. Costs related to upgrading or enhancing networks are treated as capital expenditures while expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Accordingly, the assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment requires judgement. We considered this as a key audit matter since it involves management's assumptions as well as the materiality of the amounts involved. *Refer to note **4.11** for the accounting policy related to property and equipment and note **10** for the related disclosures.*	Our audit procedures performed included, among others, the following: • Tested the design, implementation, and operating effectiveness of key controls in place over the capitalization and depreciation of property and equipment. • Performed analytical procedures on depreciation of property and equipment by comparing actual depreciation amounts with expected amounts and analysed variances. In addition to the above, we also performed the following procedures on the capitalized cost: • Assessed the Group's capitalisation policy, for compliance with IFRS as endorsed by SOCPA. • Tested, on a sample basis, the implementation of capital expenditures plan during the year, including the review of minutes of meetings where capital expenditure plan was approved. • Tested, on a sample basis, capitalisation of project expenses in compliance with the Group's capitalisation policy including instances where actual costs differed from the expenditure plan. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

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

Other information included in The Group's 2023 Annual Report
Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Building a better working world

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

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

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

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

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

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

for Ernst & Young
Professional Services

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

Riyadh: 18 Sha'ban 1445H
(28 February 2024)

R7
سجل تجاري ١٠١٠٣٨٣٨٢١
CR 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	**48,101,333**	46,645,266
Investment properties	11	**801,735**	210,821
Intangible assets and goodwill	12	**17,282,076**	11,775,022
Right of use assets	13	**3,802,290**	3,029,824
Investments in associates and joint ventures	8	**4,525,149**	4,635,656
Contract assets and costs	15	**1,444,868**	1,176,052
Financial assets and others	16	**12,501,194**	8,956,898
TOTAL NON-CURRENT ASSETS		**88,458,645**	76,429,539
CURRENT ASSETS			
Inventories	17	**1,904,971**	1,022,601
Contract assets and costs	15	**7,481,936**	6,624,333
Trade receivables	18	**21,401,271**	23,178,587
Financial assets and others	16	**12,203,214**	4,099,107
Short term murabahas	19	**14,767,349**	7,989,420
Cash and cash equivalents	20	**13,414,125**	17,794,393
		71,172,866	60,708,441
Assets held for sale	14	**51,259**	82,006
TOTAL CURRENT ASSETS		**71,224,125**	60,790,447
TOTAL ASSETS		**159,682,770**	137,219,986
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	**50,000,000**	50,000,000
Statutory reserve	23	**-**	11,217,054
Treasury shares	24	**(612,528)**	(703,838)
Other reserves	25	**2,125,192**	2,032,239
Retained earnings		**27,472,281**	10,954,070
Equity attributable to the equity holders of the Parent Company		**78,984,945**	73,499,525
Non-controlling interests	26	**2,530,221**	2,526,067
TOTAL EQUITY		**81,515,166**	76,025,592
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings	27	**13,641,768**	10,213,750
End of service benefits provision	28	**5,258,413**	4,871,335
Lease liabilities	29	**3,251,538**	2,383,206
Contract liabilities	30	**1,110,722**	771,915
Provisions	31	**690,677**	489,448
Financial liabilities and others	32	**6,143,696**	6,064,576
TOTAL NON-CURRENT LIABILITIES		**30,096,814**	24,794,230
CURRENT LIABILITIES			
Trade and other payables	33	**22,153,518**	20,707,917
Contract liabilities	30	**4,581,371**	4,671,441
Provisions	31	**2,221,748**	2,124,132
Zakat and income tax	34	**2,632,768**	2,084,712
Short term borrowings	27	**8,315,728**	276,783
Lease liabilities	29	**947,703**	912,914
Financial liabilities and others	32	**7,217,954**	5,622,265
TOTAL CURRENT LIABILITIES		**48,070,790**	36,400,164
TOTAL LIABILITIES		**78,167,604**	61,194,394
TOTAL EQUITY AND LIABILITIES		**159,682,770**	137,219,986

Group Chief Financial Officer	Group Chief Executive Officer	Authorized Board Member	Chairman

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

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals Thousands unless otherwise stated)

	Note	2023	2022
Revenues	35	72,336,611	67,431,546
Cost of revenues	36	(34,532,921)	(30,038,291)
GROSS PROFIT		37,803,690	37,393,255
OPERATING EXPENSES			
Selling and marketing	37	(5,914,339)	(6,110,238)
General and administration	38	(7,206,340)	(6,204,350)
Depreciation, amortization and impairment	10,12,13	(10,482,577)	(9,990,226)
TOTAL OPERATING EXPENSES		(23,603,256)	(22,304,814)
OPERATING PROFIT		14,200,434	15,088,441
OTHER INCOME AND EXPENSES			
Cost of early retirement program		(862,842)	(365,727)
Finance income	39	1,512,581	602,463
Finance cost	40	(1,270,744)	(696,602)
Net other expense		(110,549)	(136,220)
Net share in results and impairment of investments in associates and joint ventures	8	52,579	(1,211,924)
Net other gains	41	1,273,518	189,666
TOTAL OTHER INCOME (EXPENSES)		594,543	(1,618,344)
NET PROFIT BEFORE ZAKAT AND INCOME TAX		14,794,977	13,470,097
Zakat and income tax	34	(1,375,498)	(1,083,175)
NET PROFIT		13,419,479	12,386,922
Net profit attributable to:			
Equity holders of the Parent Company		13,295,381	12,170,537
Non-controlling interests	26	124,098	216,385
		13,419,479	12,386,922

Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):

	Note	2023	2022
Basic	42	2.67	2.44
Diluted	42	2.66	2.43

Group Chief Financial Officer   Group Chief Executive Officer   Authorized Board Member   Chairman

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

Saudi Telecom Company
A Saudi Joint Stock Company
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2023	2022
NET PROFIT		**13,419,479**	12,386,922
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that will not be reclassified subsequently to consolidated statement of profit or loss:			
Remeasurement of end of service benefit provision	28	**(214,474)**	828,394
Changes in fair value for hedging instruments and equity investments through other comprehensive income	16	**(12,181)**	-
Net share of other comprehensive income (loss) of associates and joint ventures		**21,275**	(9,860)
Total items that will not be reclassified subsequently to consolidated statement of profit or loss		**(205,380)**	818,534
Items that may be reclassified subsequently to consolidated statement of profit or loss:			
Foreign currency translation differences		**67,425**	(104,753)
Net share of other comprehensive loss of associates and joint ventures		**(47,959)**	(69,830)
Total items that may be reclassified subsequently to consolidated statement of profit or loss		**19,466**	(174,583)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME		**(185,914)**	643,951
TOTAL COMPREHENSIVE INCOME		**13,233,565**	13,030,873
Total comprehensive income attributable to:			
Equity holders of the Parent Company		**13,138,635**	12,840,311
Non-controlling interests		**94,930**	190,562
		13,233,565	13,030,873

Group Chief Financial Officer	Group Chief Executive Officer	Authorized Board Member	Chairman

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

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat and income tax		**14,794,977**	13,470,097
Adjustments for:			
Depreciation, amortization and impairment	10,12,13	**10,482,577**	9,990,226
Impairment loss and amortization of contract assets and costs	36, 37	**380,221**	411,726
Impairment loss on trade receivables	37	**449,144**	821,993
Allowance for slow moving inventories		**44,323**	31,297
Finance income	39	**(1,512,581)**	(602,463)
Finance costs	40	**1,270,744**	696,602
Provision for end of service benefits and other provisions and expenses		**744,933**	622,229
Net share in results and impairment of investments in associates and joint ventures	8	**(52,579)**	1,211,924
Share- based payment expenses	46	**121,479**	112,347
Net other gains	41	**(1,273,518)**	(189,666)
Changes in :			
Trade receivables		**1,654,205**	1,534,047
Contract assets and costs, inventory and others		**(2,373,711)**	(688,366)
Trade payables and others		**(1,557,447)**	1,344,795
Contract liabilities and others		**711,255**	(1,196,958)
Cash generated from operations		**23,884,022**	27,569,830
Less: zakat and income tax paid	34	**(857,184)**	(831,308)
Less: provision for end of service benefits paid	28	**(609,280)**	(384,132)
Net cash generated from operating activities		**22,417,558**	26,354,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(7,237,282)**	(5,496,469)
Purchase of intangible assets		**(2,331,987)**	(2,205,345)
Additions to investment properties		**(221,056)**	(232,207)
Subsidiaries' acquisition of new subsidiaries	7	**(5,414,051)**	(603,909)
Proceeds from sale of property and equipment and asset held for sale		**1,416,161**	2,365
Proceeds from sale of an associate		**8,442**	16,092
Dividends from associates		**30,990**	75,241
Proceeds from finance income		**1,766,226**	478,895
Proceeds and payments related to financial assets and others, net		**(16,400,785)**	(613,602)
Net cash used in investing activities		**(28,383,342)**	(8,578,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the equity holders of the Parent Company		**(7,922,882)**	(7,952,099)
Dividends paid to non-controlling interests		**(280,309)**	(273,133)
Purchase of treasury shares	24	**-**	(453,000)
Payment of lease liabilities		**(1,218,622)**	(1,037,357)
Repayment of borrowings	27	**(432,595)**	(133,047)
Proceeds from borrowings	27	**11,833,786**	1,276,988
Transactions with non-controlling interests	6	**204,000**	648,300
Finance costs paid		**(592,449)**	(332,155)
Net cash from (used) in financing activities		**1,590,929**	(8,255,503)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4,374,855)**	9,519,948
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**17,794,393**	8,281,301
Net foreign exchange difference		**(5,413)**	(6,856)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	**13,414,125**	17,794,393

Group Chief Financial Officer **Group Chief Executive Officer** **Authorized Board Member** **Chairman**

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

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Total equity attributable to the equity holders of the Parent Company							
	Note	Share capital	Statutory reserve	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022		20,000,000	10,000,000	(286,563)	1,572,457	37,984,611	69,270,505	2,115,474	71,385,979
Net profit		-	-	-	-	12,170,537	12,170,537	216,385	12,386,922
Other comprehensive income (loss)		-	-	-	669,774	-	669,774	(25,823)	643,951
Total comprehensive income		-	-	-	669,774	12,170,537	12,840,311	190,562	13,030,873
Dividends to the equity holders of the Parent Company	47	-	-	-	-	(7,984,024)	(7,984,024)	-	(7,984,024)
Dividends to non-controlling interests		-	-	-	-	-	-	(273,087)	(273,087)
Transfer to statutory reserve	23	-	1,217,054	-	-	(1,217,054)	-	-	-
Share-based payment transactions	24,46	-	-	35,725	50,701	-	86,426	5,352	91,778
Purchase of treasury shares	24	-	-	(453,000)	-	-	(453,000)	-	(453,000)
Bonus shares issued	22	30,000,000	-	-	-	(30,000,000)	-	-	-
Transactions with non-controlling interests	6	-	-	-	(262,575)	-	(262,575)	487,766	225,191
Net share of other reserves of joint ventures		-	-	-	1,882	-	1,882	-	1,882
Balance as at 31 December 2022		50,000,000	11,217,054	(703,838)	2,032,239	10,954,070	73,499,525	2,526,067	76,025,592
Balance as at 1 January 2023		**50,000,000**	**11,217,054**	**(703,838)**	**2,032,239**	**10,954,070**	**73,499,525**	**2,526,067**	**76,025,592**
Net profit		**-**	**-**	**-**	**-**	**13,295,381**	**13,295,381**	**124,098**	**13,419,479**
Other comprehensive loss		**-**	**-**	**-**	**(156,746)**	**-**	**(156,746)**	**(29,168)**	**(185,914)**
Total comprehensive income		**-**	**-**	**-**	**(156,746)**	**13,295,381**	**13,138,635**	**94,930**	**13,233,565**
Dividends to the equity holders of the Parent Company	47	**-**	**-**	**-**	**-**	**(7,975,133)**	**(7,975,133)**	**-**	**(7,975,133)**
Dividends to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**(295,082)**	**(295,082)**
Transfer from statutory reserve	23	**-**	**(11,217,054)**	**-**	**-**	**11,217,054**	**-**	**-**	**-**
Share-based payment transactions	24,46	**-**	**-**	**91,310**	**25,981**	**-**	**117,291**	**306**	**117,597**
Transactions with non-controlling interests	6	**-**	**-**	**-**	**225,501**	**-**	**225,501**	**204,000**	**429,501**
Net share of other reserves of joint ventures		**-**	**-**	**-**	**(1,783)**	**(19,091)**	**(20,874)**	**-**	**(20,874)**
Balance as at 31 December 2023		**50,000,000**	**-**	**(612,528)**	**2,125,192**	**27,472,281**	**78,984,945**	**2,530,221**	**81,515,166**

Group Chief Financial Officer	Group Chief Executive Officer	Authorized Board Member	Chairman

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

1. GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). The Government sold 30% of its shares pursuant to the Council of Ministers Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002). The Public Investment Fund ("PIF") is the ultimate controlling party of the Company through its ownership of 64% after the sale of 6% of the Company's shares through a secondary offering during the year 2021.

The Company commenced its operation as the provider of telecommunications services throughout the Kingdom of Saudi Arabia ("the Kingdom") on 6 Muharram 1419H (corresponding to 2 May 1998) and received its Commercial Registration No. 1010150269 as a Saudi Joint Stock Company on 4 Rabi al-Awal 1419H (corresponding to 29 June 1998). The Company's head office is located in King Abdulaziz Complex, Imam Mohammed Bin Saud Street Al Mursalat Area, Riyadh, Kingdom of Saudi Arabia.

B) GROUP ACTIVITIES

The main activities of the Company and its subsidiaries (collectively referred to as the "Group") comprise the provision of telecommunications, information, media services and digital payments, which include, among other things:

1) Establish, manage, operate and maintain fixed and mobile telecommunication networks, systems and infrastructure.
2) Deliver, provide, maintain and manage diverse telecommunication and information technology (IT) services to customers.
3) Prepare the required plans and necessary studies to develop, implement and provide telecommunication and IT services covering all technical, financial and administrative aspects. In addition, prepare and implement training plans in the field of telecommunications and IT, and provide consultancy services.
4) Expand and develop telecommunication networks, systems, and infrastructure by utilizing the most current devices and equipment in telecom technology, especially in the fields of providing and managing services, applications and software.
5) Provide integrated communication and information technology solutions which include, among other things, telecom, IT services, managed services, cloud services, and internet of things, etc.
6) Provide information-based systems and technologies to customers including providing telecommunication means for the transfer of internet services.
7) Wholesale and retail trade, import, export, purchase, own, lease, manufacture, promote, sell, develop, design, setup and maintenance of devices, equipment, and components and executing contracting works that are related to different telecom networks including fixed, moving and private networks. In addition, computer programs and other intellectual properties.
8) Real estate investment and the resulting activities, such as selling, buying, leasing, managing, developing and maintenance.
9) Acquire loans and own fixed and movable assets for intended use.
10) Provide financial and managerial support and other services to subsidiaries.
11) Provide development, training, asset management and other related services.
12) Provide solutions for decision support, business intelligence and data investment.
13) Provide supply chain and other related services.
14) Provide digital banking services.
15) Provide cybersecurity services.
16) Construction, maintenance and repair of telecommunication and radar stations and towers.

Moreover, the Company is entitled to set up individual companies as limited liability or closed joint stock. It may also own shares in, or merge with, other companies, and it has the right to partner with others to establish joint stock, limited liability or any other entities whether inside or outside the Kingdom.

2. BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis, unless stated otherwise in the below accounting policies.

The consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional currency for the Group, and all values are rounded to the nearest thousand Saudi Riyals, except when otherwise indicated.

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

The preparation of the consolidated financial statements in accordance with IFRS as endorsed in the Kingdom requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in (Note 5).

The material accounting policies (Note 4) applied in preparing these consolidated financial statements are consistent with those applied in comparative periods presented.

2.2 Basis of consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries (Note 6).

Subsidiaries are companies controlled by the Group. Control is achieved when the Group has:

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired (or disposed) of during the year are included (or derecognized) in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

2. BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

2.2 Basis of consolidation (continued)

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to the consolidated statement of profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

3.1 NEW IFRS STANDARDS, ISSUED AND ADOPTED

Amendments to IFRS that were applied by the Group on 1 January 2023 and had no material impact are as follows:

Amendments and interpretations
IFRS 17: Insurance Contracts.
Amendments to IAS 8: Definition of Accounting Estimates.
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

3.2 OTHER AMENDMENTS OF RELEVANT IFRS'S ISSUED BUT NOT YET EFFECTIVE

The standards and amendments that are issued, but not yet effective, as of 31 December 2023 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates.

Amendments and interpretations
Amendments to IAS 1: Classification of Liabilities as Current and Non-current
Amendments to IAS 1 Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
Amendments to IAS 21: Lack of exchangeability

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method upon transfer of control to the Group. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree, fair value of any assets or liabilities resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are generally recognized in the consolidated statement of profit or loss.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with limited exceptions.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred,

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 Business combinations and goodwill (continued)

the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognized at the acquisition date.

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing for goodwill acquired from the business combination and from the date of acquisition, it will be allocated to cash-generating units ("CGU") that are expected to benefit from the business combination regardless of whether the other assets or liabilities acquired have been allocated to those units.

Goodwill is allocated to the cash generating unit and part of the operations of that unit are disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of the relative value of the disposed operation and the remaining portion of the cash-generating unit.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another relevant IFRS approved in Kingdom.

Any contingent consideration to be paid (if any) will be recognized at fair value at the acquisition date and classified as equity or a financial liability. Contingent consideration classified as a financial liability is subsequently remeasured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group presents the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the provisional amounts recognized on the acquisition date is retrospectively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date.

The Group recognizes additional assets or liabilities during the measurement period if new information becomes available about facts or circumstances that existed at the date of the acquisition and if it will result in recognition of assets or liabilities from that date. The measurement period ends once the group obtains all information that existed at the acquisition date or as soon as it becomes sure of the absence of more information.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence but does not have control or joint control. Significant influence is the Group's ability to participate in the financial and operating policy decisions of the investee but not to control or joint control over those policies.

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the governing body of the investee.

Factors to determine significant influence include holding directly or indirectly voting power of the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making processes including participation in decisions about dividends or other distributions, material transactions between the Group and the investee, interchange of managerial personnel or provision of essential technical information.

The investment in associates or joint ventures are accounted for in the consolidated financial statements of the Group using the equity method of accounting. The investment in associates or joint ventures in the consolidated statement of financial position are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture adjusted for any impairment in the value of the net investment. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses.

Additional losses are recognized and recorded as liabilities only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Unrealized gain or losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture.

On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the consolidated statement of profit or loss in the acquisition year.

The requirements of IFRSs endorsed in Kingdom are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy described in Note
(5-2-1). Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to the consolidated statement of profit or loss the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Investments in associates and joint ventures (continued)

When any entity within the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

4.3 Share-based payment transactions

The Group's executive employees receive remuneration in the form of share-based payments under the employee long term incentives program, whereby employees render services as consideration for the Company's shares (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value of the equity instrument at the grant date. The grant date is the date on which the Group and the employee agree on the share-based agreement, so that a common understanding of the terms and conditions of the agreement exists between the parties.

Share-based payment expense is included as part of employee benefit expenses over the period in which the service and the performance conditions are fulfilled (the vesting period), with the corresponding amount recorded under other reserves within equity in accordance with the requirements of the International Financial Reporting Standard (2): Share-based Payment. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognized from the beginning to the end of that period.

4.4 Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the shares. Any difference between the carrying amount of the shares and the consideration, if reissued, is recognized in other reserves within equity.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Revenue recognition

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

The timing of revenue recognition is either at a point in time or over time depending upon the satisfaction of the performance obligation by transferring control of goods or services to the customer.

When there is a high degree of uncertainty about the possibility of collection from certain customers, the Group recognizes revenue only upon collection.

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

Products and services	Nature and timing of satisfaction of performance obligation
Mobile telecommunication services	Mobile telecommunication services include voice, data, messaging, and valued added services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).
Fixed telecommunication services	Fixed telecommunication services include voice, broadband, internet, and data connectivity services. The Group recognizes revenues as and when these services are provided (i.e. actual usage by the customer).
Enterprise solutions services	Enterprise solutions services include system integration, IT managed services, cyber security, data / data centers and cloud, outsourcing and digital services. The Group recognizes revenues when control transfers to the customer (over time or at a point in time).
Bundled packages	Arrangements involving multiple products and services are separated into individual items and revenue is recognized on the basis of the fair value (standalone selling prices) of the individual items by allocating the total arrangement consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer.
Mobile and other devices	The Group recognizes revenues when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.
Other services	Include services provided to stc Bank customers. The Bank recognizes revenue when it transfers control over a product or service to a customer.

A contract modification exists when the parties to a contract approve a modification that creates new or changes existing rights and obligations of the parties to the contract. Revenue recognition under the existing contract is continued until the contract modification is approved.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.5 Revenue recognition (continued)

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

4.5.1 Variable consideration

In determining the transaction price, the Group considers the effects of variable consideration. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the products and services to the customer. The variable consideration, which can take the form of discounts, rebates or refunds, is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

4.5.2 Significant financing component

If a customer can pay for purchased equipment or services over a period of time, 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.
As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

4.5.3 Contract balances

4.5.3.1 Contract Assets

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

4.5.3.2 Trade receivables

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

4.5.3.3 Contract Costs

Contract costs relate to incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset when:

- The costs relate directly to the contract (or to a specified anticipated contract)
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered

Contract costs recognized by the Group are amortized on a systematic basis that is consistent with the Group's transfer of related goods or services to the customer.

4.5.3.4 Contract Liabilities

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

4.5.4 Customer loyalty programs

The Group offers customer loyalty programs, which allow customers to earn points that can be redeemed through availing stc products and services or through certain third party partners. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.
The Group allocates a portion of the transaction price to the loyalty points awarded to customers based on relative stand-alone selling price considering the likelihood that the customer will redeem the points, and recognises it as a contract liability. Revenue is recognised upon redemption of the points by the customer or their expiry if not used within a year.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Lease contracts

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

The Group as a lessee

At the commencement date, the Group recognizes a right of use asset representing the Group's right to use the underlying asset and a lease liability representing the Group's obligation to make lease payments.

At commencement date, the right of use asset is initially measured at cost (based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, as per lease terms).

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

After the commencement date, the right of use asset is measured using the cost model (cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the related lease liability). Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined; otherwise the Group's incremental borrowing rate is used instead.

After the commencement date, the lease liability is measured by:

(a) increasing the carrying value to reflect interest on the lease liability.
(b) reducing the carrying value to reflect the lease payments made.
(c) remeasuring the carrying value to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The amount of the remeasurement of the lease liability is recorded as an adjustment to the right of use asset. However, if the carrying amount of the right of use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, then any remaining amount of the remeasurement is recognized in the consolidated statement of profit or loss.

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation on related right of use assets is calculated using the estimated useful life of the leased asset.

The Group as a lessor

A lease is classified as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. Any benefits granted as an incentive to enter into an operating lease, are distributed in a straight-line basis over the lease term. Total benefits from incentives are recognized as a reduction in rental income on a straight-line basis, unless there is another basis that better represents the period of time in which the economic benefits of the leased asset are exhausted.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. The amounts due from the finance leases are recorded as lease receivables at an amount equal to the net investment of the Group in the lease. The lease payments to be received are divided into two components: (1) a reimbursement of the original amount (2) a financing income to compensate the Group for its investment and services. The additional costs directly attributable to negotiating the lease contract are included in the amounts due, which in return, will reduce the finance income portion from the contract.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.7 Foreign currencies

The financial information and disclosures are presented in Saudi Riyals (the functional currency of Saudi Telecom Company – the Parent Company). For each subsidiary, the Group determines the functional currency, which is defined as the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each subsidiary are measured using that functional currency.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) 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 translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item to which it relates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Saudi Riyals using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint venture or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the Group’s shareholders are reclassified to the consolidated statement of profit or loss.

For all partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

4.8 Government grants

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

Government grants are recognized in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to the consolidated statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

When the Group receives government grants as compensation for expenses or losses already incurred or immediate financial support with no future related costs, these are recognized in the profit or loss in the period in which they become receivable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.9 Employee benefits

4.9.1 Retirement benefit costs and end of service benefits

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

Employee's end of service benefits provision is calculated annually by actuaries in accordance with the projected unit credit method as per (IAS 19) Employee Benefits, taking into consideration the labour law of the respective country in which the subsidiary operates. The provision is recognized based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average salary incremental rate, average employees' years of service and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate.

Due to the fact that the Kingdom does not have a deep market in high quality corporate bonds, the discount rate is determined based on available information of Saudi Arabia sovereign bond yields with a term consistent with the estimated term of the defined benefit obligation as at the reporting date.

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

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

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

Net interest cost is calculated using the discount rate to net defined benefit assets or liabilities. The Group recognizes the following changes in the net benefit obligation identified under "cost of revenue", "general and administrative expenses" and "selling and marketing expenses" in the consolidated statement of profit or loss (by function):

- Service costs that include the current service costs, past service costs, profits and losses resulting from labour downsizing and non-routine payments.
- Net finance cost.

4.9.2 Other short and long-term employee benefits

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Zakat and Taxation

4.10.1 Zakat

The Group calculates and records the zakat provision based on the zakat base in its consolidated financial statements in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessment are recorded in the reporting period in which such assessment is approved by the Zakat, Tax, and Customs Authority ("ZATCA").

4.10.2 Current and deferred taxes

Tax related to subsidiaries located outside the Kingdom is calculated in accordance with tax laws applicable in those countries. The current income tax is recognized in the consolidated statement of profit or loss.

Deferred income tax provisions for foreign entities are calculated using the liability method, based on temporary differences at the end of the financial year between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities and deferred tax assets are measured at the tax rates expected to be applied in the reporting period in which the obligation is settled, or the asset is realized.

Deferred tax assets of foreign entities are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. This involves a judgement relating to the future financial performance of the foreign entity in which the deferred tax assets have been recognized. Deferred tax liabilities are generally recognized for all temporary differences that are taxable. The current income tax is recognized in the consolidated statement of profit or loss.

4.10.3 Value Added Tax ("VAT")

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

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

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

4.10.4 Withholding tax

The Group withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations. These are recorded as liabilities payable to ZATCA on behalf of the counter party from whom the amounts are withheld.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.11 Property and equipment

Property and equipment are stated in the consolidated statement of financial position at their cost, less any accumulated depreciation and accumulated impairment losses.

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

Assets under construction are carried at cost, less any recognized impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

When significant parts of a property and equipment are to be replaced (except land), the Group recognizes such parts as individual assets with a specific useful life. All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred, except to the extent that they increase productivity or extend the useful life of an asset, in which case they are capitalized.

Depreciation is charged and reduces the cost of assets, other than land, using mainly the straight-line method, over their estimated useful lives. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss within other operating income or expenses.

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

4.12 Investment properties

Investment properties are non-current assets (land or building - or part of it - or both) for the purpose of achieving rental income or capital appreciation or both. These investment properties are not for sale in the normal course of the Group business, or for use in providing services or for administrative purposes.

Investment property is recognized as an asset when it is probable that future economic benefits will flow to the Group, associated with the property and can be measured reliably. Investment properties are initially measured at cost, including transaction costs. It is subsequently measured after recognition according to the "cost model", i.e. at cost minus accumulated depreciation and accumulated impairment losses, if any, except for land, which is not depreciated.

Regular repair and maintenance costs that do not materially extend the estimated useful life of the asset are recognized in the consolidated statement of profit or loss when incurred.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss during the period of disposal.
Transfers from / to investment property to / from property and equipment are made only when the Group changes the purpose of using the property.

The Group appoints an independent external valuer approved by the Saudi Authority for Accredited Valuers (Taqeem) to obtain fair value estimates for investment properties annually for the purpose of determining if there is a decrease in the value and also for the purpose of related disclosures in the consolidated financial statements of the Group.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.13 Intangible assets (other than goodwill)

Intangible assets are presented in the consolidated statement of financial position at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination represents their fair value as at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite lives are not amortized, but are tested for impairment annually. 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.

4.13.1 Software

Computer software licenses are capitalized based on the cost incurred to acquire the specific software and bring it into use. Amortization is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful life from the date the software is available for use.

4.13.2 Licence and frequency spectrum fees

Amortization periods for licence and frequency spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives when the related network services are available for use.

4.13.3 Indefeasible Rights of Use ("IRU")

IRUs correspond 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 fibres 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.

4. 13.4 Derecognition of intangible assets

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

4.14 Impairment of tangible and intangible assets (other than goodwill)

At the end of each finical year, 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).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of other assets (cash-generating unit).

Recoverable amount is the higher of fair value less costs of disposal and the present value of the estimated future cash flows expected to be derived from the asset (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 the consolidated statement of profit or loss.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.14 Impairment of tangible and intangible assets (other than goodwill) (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Tangible and intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each financial year.

4.15 Inventories

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

4.16 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 the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, after taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.17 Assets' decommissioning liabilities

The Group recognizes obligations on decommissioning of assets when there is a legal or constructive obligation arising from past events and it is likely to result in an outflow of resources to settle the obligation and if the obligation can be reliably measured.

The Group calculates a provision with the value of future costs related to the removal and decommissioning of the network and other assets. Upon initial recognition of the obligation, the present value of the expected costs (using a discount rate for future cash flows) is added to the value of the concerned network and other assets. Changes in the discount rate, timing and cost of removing and decommissioning assets are accounted for prospectively by adjusting the carrying amount of the provision and the carrying amount of the network and other assets.

4.18 Financial instruments

4.18.1 Classification, recognition, and presentation

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)

4.18.1 Classification, recognition, and presentation (continued)

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

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

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

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

4.18.2 Measurement

4.18.2.1 Initial measurement

Financial assets and financial liabilities, except for trade receivables, are initially measured at fair value plus or minus transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities. (Except for financial assets and financial liabilities classified at fair value where transaction costs directly attributable to the acquisition of financial assets or financial liabilities are recognized directly in the consolidated statement of profit or loss).

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

4.18.2.2 Subsequent measurement of financial assets

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

a. Financial assets measured at amortized cost:

Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income.
The Group's financial assets measured at amortised cost include trade receivables, Sukuk, Customers' trust accounts of stc Bank , loan to employees, and Murabahas.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)

4.18.2 Measurement (continued)

4.18.2.2 Subsequent measurement of financial assets (continued)

b. Financial assets measured at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

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

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

c. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under "IAS 32 Financial Instruments: Presentation" and are not held for trading. The classification is determined on an instrument-by-instrument basis.

The Group elected to classify irrevocably its listed equity investments under this category.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)

4.18.2 Measurement (continued)

4.18.2.2 Subsequent measurement of financial assets (continued)

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

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

Measurement category	**Recognition and presentation of gains and losses**
At amortized cost	The following items are recognized in the consolidated statement of profit or loss: • finance income using the effective interest method • expected credit losses (or reversals of such losses) • foreign exchange gains and losses. When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss.
At FVOCI	Debt instruments: Gains and losses are recognized in the consolidated statement of comprehensive income, except for the following items, which are recognized in consolidated statement of profit or loss in the same manner as for financial assets measured at amortized cost: • finance income using the average effective interest method • expected credit losses (or reversals of such losses) • foreign exchange gains and losses. Equity instruments: Gains and losses are recognized in the consolidated statement of comprehensive income. Dividends are recognized in the consolidated statement of profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances.
At FVTPL	Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss.

4.18.2.3 Subsequent measurement of financial liabilities

a. Amortized cost

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)
4.18.2 Measurement (continued)
4.18.2.3 Subsequent measurement of financial liabilities (continued)

a. Amortized cost (continued)

4. financial guarantee contracts
5. contingent consideration recognized at fair value by the Group in a business combination to which IFRS 3 applies (shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss).

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

b. Liabilities at fair value through profit or loss

Financial liabilities falling under this category include:
1. liabilities held for trading
2. derivative liabilities not designated as hedging instruments
3. those designated as at FVTPL

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

c. Financial guarantees

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

Financial guarantees are measured initially at their fair values and, if not designated as FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:
1. the amount of ECL determined in accordance with IFRS 9; and
2. the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policy described in the accounting policies.

4.18.3 Impairment of financial assets

The Group considers a financial asset in default at various past due days depending on the classification of financial assets and their contractual payments terms. In certain cases, the Group may also consider a financial asset to be in default and subject for write off when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Any subsequent recoveries are credited to impairment loss expense.

The Group recognizes allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes an allowance base on lifetime ECLs at each reporting date. The Group established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For government, related parties and key private customers, the Group estimates the loss allowance based on the internal assessment to evaluate the collectability of the balances and such assessment is done based on the available information and negotiations underway. An estimate of the collectible amount is made when collection of the amount is no longer probable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)
4.18.3 Impairment of financial assets (continued)

For certain customer categories, this estimate is performed on an individual basis while other customer categories are assessed collectively and an allowance is applied according to the length of time past due. The Group employs statistical models to analyse the data collected and generate estimates of the probability of default of exposures with passage of time. The analysis includes the identification for any changes between default rates and key macro-economic factors across various geographies of the Group. For trade receivables, the average credit terms vary by customer type.

4.18.4 Derecognition of financial assets

Financial assets are derecognized from the consolidated statement of financial position when the rights to receive cash flows from the financial assets have expired, or when the financial asset or all its risks and rewards of ownership have been transferred to another party. The difference between the financial asset's book value and its transferred proceeds will be recorded in the consolidated statement of profit or loss.

4.18.5 Derecognition of financial liabilities

Financial liabilities are derecognized when and only when the underlying obligations are extinguished, cancelled or expires.

4.18.6 Offsetting between financial assets and financial liabilities

A financial asset and a financial liability are offset and presented as a net amount in the consolidated statement of financial position when, and only when, both of the following conditions are satisfied:

1- The Group currently has a legal enforceable right to offset the recognized amounts of the asset and liability.
2- The Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.18.7 Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 Financial instruments (continued)

4.18.8 Derivative financial instruments and hedge accounting

The Group enters into derivative arrangements to hedge its certain risks such as share price risks, fair value risks. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date until settlement. The change in fair value is recognised in the consolidated statement of profit or loss unless designated in a hedging relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
A hedging relationship qualifies for hedge accounting if it meets the effectiveness requirements.
In case of cash flow hedge, the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The amount accumulated in other comprehensive income is reclassified to the consolidated statement of profit or loss as a reclassification adjustment in the period or periods during which the hedged cash flows affect the consolidated statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment.
In a fair value hedge, the effective and ineffective portion of gain or loss on hedging instrument is recognised in consolidated statement of profit or loss if the hedged item is recognised at FVTPL and in other comprehensive income if the hedged item is recognised at FVTOCI.
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

4.19 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and short term murabahas with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.20 Fair values measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics, nature and risks of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Disclosures of fair value are not required for lease liabilities and when the carrying amount is a reasonable approximation of fair value.

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value, providing the maximum opportunity for the use of relevant inputs that are observable and the minimum use of inputs that are not observable. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for valuing the asset or liability, either directly or indirectly.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4.21 Segmental Information

The specific operating segments of the Group are identified based on internal reports, which are regularly reviewed by the Group's main decision makers (chief operating decision maker) for the purpose of resource allocation among segments and performance assessment.

4.22 Cash dividends

The Company’s dividends policy is approved by the General Assembly and the Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.23 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.24 Non current asset held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note (4), the management of the Group are required to make judgements about the carrying amounts of assets and liabilities and the accompanying disclosures that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

5.1 SIGNIFICANT ACCOUNTING JUDGEMENTS

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract

5.1.2 *Revenue* recognition

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 an 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.
Whether the Group is principal or agent, depends whether the control of products and services is transferred to customers, and it has the ability to direct the use of the devices or obtain benefits from the devices and service. Below are the key criteria to determine whether the Group is acting as principal:

- The Group has primary responsibility for providing the products or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- The Group has inventory risk before or after customer order, during shipping or on return; and
- The Group has latitude in establishing the prices, either directly and indirectly, for example by providing additional products or services.

5.1.3 *Arrangements* with multiple deliverables

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

5.1 SIGNIFICANT ACCOUNTING JUDGEMENTS (CONTINUED)

5.1.4 Recognition of digital banking operations' client assets

The determination of whether the Group has control over customer funds or if they are being held in merely a fiduciary capacity requires careful consideration of facts and circumstances including applicable regulatory requirements.The Group has assessed that these assets meet the recognition criteria based on the assessment of liability of the Group towards its customers for the funds, contractual and legal rights held by the Group in relation to these funds and the Group's rights to economic benefits from other financial institutions where customer funds are deposited.

5.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

5.2.1 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 usually from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5.2.2 Customer activation service fees

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

5.2.3 Provisions

In respect of provisions including decommissioning provision, the Group provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. See Note 31 for details. Provisions are recorded by discounting the future cash flows at a current pre-tax rate that reflects the risks specific to the liability. The unwinding of the discount is recognized in the consolidated statement of profit or loss as a finance cost.

5.2.4 Useful lives for property and equipment, software and other intangible assets

The annual depreciation and amortization charge is sensitive to the estimated lives allocated to each type of asset. Asset lives are assessed annually and changed where necessary to reflect current circumstances in light of technological change, network investment plans and physical conditions of the assets concerned

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

5.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

5.2.5 Provision for impairment losses on trade receivables and contract assets

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

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

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

5.2.6 *Leases* - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a 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.

5.2.7 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using 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 market volatility.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

6. SUBSIDIARIES

Subsidiaries owned directly by the Company are as follows:

Name of subsidiary		***Country of incorporation***	***Effective shareholding percentage***	
			31 December 2023	*31 December 2022*
Arabian Internet and Communications Services Company ("Solutions")	(1)	Kingdom of Saudi Arabia	**80%**	80%
Telecom Commercial Investment Company Limited ("TCIC")	(2)	Kingdom of Saudi Arabia	**100%**	100%
stc Bahrain BSC (c) ("stc Bahrain")	(3)	Kingdom of Bahrain	**100%**	100%
Aqalat Limited Company ("Aqalat")	(4)	Kingdom of Saudi Arabia	**100%**	100%
Public Telecommunications Company ("Specialized")	(5)	Kingdom of Saudi Arabia	**100%**	100%
stc Turkey Holding Ltd ("stc Turkey")	(6)	British Virgin Islands	**100%**	100%
stc Asia Telecom Holding Ltd ("stc Asia")	(7)	British Virgin Islands	**100%**	100%
stc Gulf Investment Holding ("stc Gulf")	(8)	Kingdom of Bahrain	**100%**	100%
Gulf Digital Media Model Company Ltd ("GDMM") ("Intigral")	(9)	Kingdom of Saudi Arabia	**100%**	100%
Saudi Telecom Channels Company ("Channels")	(10)	Kingdom of Saudi Arabia	**100%**	100%
Kuwait Telecommunications Company ("stc Kuwait")	(11)	State of Kuwait	**51.8%**	51.8%
Telecommunications Towers Company ("TAWAL")	(12)	Kingdom of Saudi Arabia	**100%**	100%
stc Bank ("stc Pay")	(13)	Kingdom of Saudi Arabia	**85%**	85%
Smart Zone Real Estate Company	(14)	Kingdom of Saudi Arabia	**100%**	100%
Advanced Technology and Cybersecurity Company ("sirar")	(15)	Kingdom of Saudi Arabia	**100%**	100%
stc GCC Cables System W.L.L.	(16)	Kingdom of Bahrain	**100%**	100%
Company Sendouk Al-Abatakar for Investment	(17)	Kingdom of Saudi Arabia	**100%**	100%
Digital Centers for Data and Telecommunications ("Center3")	(18)	Kingdom of Saudi Arabia	**100%**	100%
Internet of Things Information Technology Company ("IoTsquared")	(19)	Kingdom of Saudi Arabia	**50%**	50%
General Cloud Computing Company for Information Technology ("SCCC")	(20)	Kingdom of Saudi Arabia	**55%**	55%
Green Bridge Investment ("GBI")	(21)	Luxembourg	**100%**	-
Green Bridge Management ("GBM")	(22)	Luxembourg	**100%**	-
Digital Infrastructure Company	(23)	Kingdom of Saudi Arabia	**100%**	-

6. SUBSIDIARIES (CONTINUED)

1. Solutions was established in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. In December 2007, the Group acquired 100% of the share capital of Solutions.
   In September 2021, the Group completed the initial public offering "IPO" for 20% of its shareholding in Solutions in the Saudi Stock Exchange Market and 1% of the share capital of Solutions was allocated to be granted as part of its own employees' long term incentive plan (Note 46.2).

   As at 31 December 2023, Solution's share capital is SR 1,200 million (2022: SR 1,200 million).

   In October 2022, Solutions acquired an 88.19% stake in Giza Systems ("Giza"), in addition to acquiring 34% in Giza Arabia Systems Ltd., a subsidiary of Giza Systems. The value of the acquisition amounted to USD 124.2 million (equivalent to SR 465.6 million).

   On 3 April 2023, Solutions completed the acquisition of Contact Center Company ("CCC") by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology.
   The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations' and the Group started consolidating CCC from the acquisition completion date (Note 7). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SR 133 million within net other gains item in the consolidated statement of profit or loss.
2. TCIC was established in October 2007 with the purpose of operating and maintaining telecommunication networks, organizing computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market with share capital of SR 1 million as at 31 December 2023 (2022: SR 1 million).
3. stc Bahrain was established in February 2009 with the purpose of providing all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market. with share capital of BD 75 million as at 31 December 2023 (2022: BD 75 million) equivalent to SR 746 million at the exchange rate as of establishment date.
4. Aqalat was established in March 2013 with the purpose of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of the Company with share capital of SR 70 million as at 31 December 2023 (2022: SR 70 million).
5. Specialized was established in February 2002 with the purpose of operating in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices with share capital of SR 252 million as at 31 December 2023 (2022: SR 252 million).
6. stc Turkey, a limited liability company, was established under the Commercial Companies Law in the British Virgin Islands in April 2008. It is a special purpose vehicle established to provide services and support required in respect of investment activities of the Group.

   In April 2008, stc Turkey acquired 35% of Oger Telecom Limited's ("OTL"). During the year 2023, OTL liquidation has been completed with most of its assets and liabilities disposed off (Note 8.1).
7. stc Asia, a limited liability company, was established under the Commercial Companies Law in the British Virgin Islands in July 2007 and is a special purpose vehicle. It owns a subsidiary (a wholly owned subsidiary) stc Malaysia Holdings Ltd ("stc Malaysia"), which was incorporated under the Commercial Companies Law in the British Virgin Islands.

   stc Malaysia Holding Ltd in turn holds the Group's 25% stake in Binariang GSM Sdn Bhd ("BGSM") (Note 8-2) that invests in companies operating primarily in Malaysia. The principal activity of both stc Asia and stc Malaysia is to provide services and support required in respect of investment activities of the Group.
8. stc Gulf was incorporated in March 2008, which is a special purpose vehicle, in the Kingdom of Bahrain. The primary objective of this company is to provide services and support required in respect of investment activities of the Group.

6. SUBSIDIARIES (CONTINUED)

9. Intigral, a limited liability company, was established in March 2002 with the purpose of providing broadcasting and media production services with share capital of SR 811 million as at 31 December 2023 (2022: SR 811 million).

10. Channels was established in January 2008 with the purpose of operating in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres' maintenance and operation. The Company operates in the Saudi Market with subsidiaries in Bahrain, Oman, and Kuwait whom are working in the same field with a share capital of SR 100 million as at 31 December 2023 (2022: SR 100 million).

11. stc Kuwait was established in July 2008 with the purpose of operating in the field of mobile services in the Kuwaiti market. stc Kuwait was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014 with share capital of KD 100 million as at 31 December 2023 (2022: KD 100 million) equivalent to SR 1,298 million at the exchange rate as of establishment date.

12. TAWAL, a closed joint stock company, was established In January 2018. TAWAL is responsible for owning, constructing, operating, leasing and commercializing telecom towers in the Kingdom with share capital of SR 2,500 million as at 31 December 2023 (2022: SR 2,500 million).

    During October 2022, the Company received a non-binding offer from the Public Investment Fund (PIF) (a related party: the ultimate controlling party- note 1-A) to acquire 51% of the shares of Telecommunications Towers Company (Tawal), while stc will maintain 49% of the shares of Tawal. Tawal was valued at SR 21,940 million (100% enterprise value on cash free and debt free basis).The offer does not represent any binding commitment on both parties and it remains subject to completing the due diligence and reaching final and binding agreement which will be conditional upon obtaining the General Assembly approval and all regulatory approvals from relevant authorities including the approval from the General Authority for Competition, internal approvals of the respective parties, and any other conditions that may be agreed between the parties.

    During the first quarter of the year 2022, Tawal has entered into an initial agreement to acquire a 100% equity shareholding of AWAL Telecom Company, registered in the Republic of Pakistan, subject to regulatory approvals. AWAL is licensed by the Pakistan Telecommunication Authority to build and operate telecommunication infrastructure primarily in the northwest region of the Republic of Pakistan. On 1 February 2023, AWAL's acquisition was completed (Note 7).

    On 24 August 2023, TAWAL (through one of its subsidaries) signed a sale and purchase agreement ("SPA") to acquire three telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group to expand the business outside of the Kingdom of Saudi Arabia and provide Infrastructure services in European markets for a cash consideration for the entire transaction of approximately SR 5 billion (equivalent to EUR 1,220 million) (100% Enterprise Value) and the transaction was funded through bank loans. One of the main transaction terms is 20-year master services agreement providing United Group with long-term leasing services from TAWAL, including a plan to rollout 2,054 new sites (Note 7).

13. stc Bank, a closed joint stock company, was established in November 2017 and its main activity is to provide digital payments services. During 2020, Saudi Central Bank licensed Saudi Digital Payments Company as an electronic wallet company. During the year 2021, the Council of Ministers approved granting Saudi Digital Payments Company a digital banking services license to become a digital bank with share capital of SR 2.5 billion.

    In January 2023, Saudi Central Bank lifted the restrictions on the deposited capital of stc Bank for the amount of SR 1,552 million, which was deposited for the conversion of the Bank from a limited liability company to a closed joint stock company.

14. Smart Zone Real Estate, a limited liability company, was established in September 2019 and its main activity is the development, financing and management of real estate projects, the establishment of facilities, complexes, commercial, office and residential buildings with share capital of SR 417 million as at 31 December 2023 (2022: SR 417 million).

15. Sirar, a limited liability company, was established in November 2020 to provide cybersecurity services with share capital of SR 250 million as at 31 December 2023 (2022: SR 250 million).

6. SUBSIDIARIES (CONTINUED)

16. stc GCC Cable Systems W.L.L., a limited liability company, was established in April 2021 with the purpose of the sale and installation of telecommunications equipment and the construction of utilities projects. stc GCC Cable Systems W.L.L. is wholly owned by the Group as part of the agreement to invest in a fund aimed to drive innovation in the communications and information technology sector in the Kingdom of Bahrain and other GCC Countries with share capital of BD 32 million as at 31 December 2023 (2022: BD 32 million) equivalent to SR 319 million at the exchange rate as of establishment date..
17. Company Sendouk Al-Abatakar for Investment, a limited liability company, was established in August 2021 with the purpose of providing administrative services and IT and telecommunication support and with share capital of SR 187.5 million as at 31 December 2023 (2022: SR 56.2 million).
18. Center3, a limited liability company, was established in February 2022 with the purpose of providing services related to big data, data analytics and cloud computing with share capital of SR 100 million as at 31 December 2023 (2022: SR 100 million).
19. IoTsquared, a limited liability company, was established in May 2022 by signing a partnership agreement with the Public Investment Fund for the purpose of establishing a company specialized in the field of Internet of Things with share capital amounting to SR 900 million (2022: SR 492 million) with 50% shareholding for each. The Group is accounting for this entity as a subsidiary as it has the right to appoint the majority of board of directors and key management personnel.
20. SCCC, a limited liability company, was established in May 2022 by signing a shareholder agreement with eWTP Arabia Technology Innovation Limited Company ("eWTPA"), Alibaba (Singapore) Private Limited ("Alibaba Cloud"), Saudi Company for Artificial Intelligence ("SCAI"), and Saudi Information Technology Company ("SITE") specializing in cloud computing services with share capital amounting to SR 894 million as at 31 December 2023 (2022: SR 894 million). The Group has granted a put option to non-controlling interest shareholders in SCCC in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option (Note 32-1).
21. Green Bridge Investment was established during the third quarter of the year 2023 in Luxemburg. It is a special purpose vehicle established to provide services and necessary support for the Group's investing activities.
22. Green Bridge Management was established during the third quarter of the year 2023 in Luxemburg. It is a special purpose vehicle established to provide services and necessary support for the Group's investing activities.
23. Digital Infrastructure Company was established during the fourth quarter of the year 2023 in Kingdom of Saudi Arabia. It is a simplified closed joint stock company, established to provide services and necessary support for the Group's investing activities.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

7. BUSINESS COMBINATIONS

- On 24 August 2023, TAWAL (through one of its subsidaries) signed a sale and purchase agreement ("SPA") to acquire three telecommunications towers companies based in Bulgaria, Croatia and Slovenia from United Group to expand the business outside of the Kingdom of Saudi Arabia and provide Infrastructure services in European markets for a cash consideration for the entire transaction of approximately SR 5 billion (equivalent to EUR 1,220 million).
- On 3 April 2023, Solutions completed the acquisition of Contact Center Company (CCC) by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million.
- On 1 February 2023, Tawal completed the acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, for cash consideration for the entire acquisition amounting to SR 27 million.
- The following table shows fair value of total assets acquired and liabilities assumed at acquisition date:

	Tawal's acquisition of three towers companies from United Group (Note 6.12)	Solutions' acquisition of Contact Center Company ("CCC") (Note 6.1)	Tawal's acquisition of AWAL Telecom Company (Note 6.12)	Total
Assets				
Property and equipment	**384,816**	**7,589**	**12,421**	**404,826**
Intangible assets	**17**	**160,413** (1)	**-**	**160,430**
Right of use assets	**535,275**	**28,717**	**1,362**	**565,354**
Trade receivables	**206,635**	**126,530**	**1,255**	**334,420**
Cash and cash equivalents	**7,105**	**98,617**	**2,034**	**107,756**
Financial assets and others	**7,438**	**282,988**	**5,563**	**295,989**
Total assets	**1,141,286**	**704,854**	**22,635**	**1,868,775**
Liabilities				
Trade and other payables	**18,920**	**148,920**	**1,623**	**169,463**
Lease liabilities	**550,347**	**29,142**	**1,660**	**581,149**
Borrowings	**111,847**	**-**	**-**	**111,847**
Provisions	**106,949**	**95,870**	**44**	**202,863**
Financial liabilities and others	**41,529**	**61,076**	**11,996**	**114,601**
Total liabilities	**829,592**	**335,008**	**15,323**	**1,179,923**
Total identifiable net assets at fair value	**311,694**	**369,846**	**7,312**	**688,852**
Goodwill arising on acquisition	**4,651,696** (2)	**143,854**	**19,794** (2)	**4,815,344**
Purchase consideration	**4,963,390**	**513,700**	**27,106** (3)	**5,504,196** (4)

(All Amounts in Saudi Riyals thousands unless otherwise stated)

7. BUSINESS COMBINATIONS (CONTINUED)

(1) Includes intangible assets arising from Solutions' acquisition of CCC as follows:

Intangible assets from acquisition	Amount recognized on acquisition	Valuation approach
Brand name	**61,000**	Relief from royalty
Customer relationship	**56,000**	Multiperiod excess earnings method (MEEM)
Order Backlog	**23,000**	Multiperiod excess earnings method (MEEM)
Software	**6,200**	Incremental cost approach
Total	**146,200**	

(2) Goodwill resulted from Tawal's acquisition of United Group and AWAL Telecom Company companies represents a provisional goodwill until the completion of the price purchase allocation reports (Note 12).

(3) Tawal's acquisition of AWAL Telecom Company includes contingent consideration of SAR 10.9 million.

(4) The consolidated statement of cash flows includes a payment of SR 28.5 million related to an acquisition during the year 2022.

- From the date of acquisition, business combination of the three towers companies from United Group has contributed SR 123.7 million of revenue and SR 78.4 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 344 million and net profit would have been SR 178 million.

- From the date of acquisition, business combination of CCC has contributed SR 581 million of revenue and SR 85 million of net profit. If the business combination had taken place at the beginning of the year, revenue would have been SR 775 million and net profit would have been SR 82 million.

- From the date of acquisition, business combination of AWAL Telecom Company has contributed SR 8 million of revenue and SR 3.1 million of net losses. If the business combination had taken place at the beginning of the year, revenue would have been SR 9.7 million and net losses would have been SR 3.9 million.

Acquisition related costs of SR 23.6 million is expensed to the consolidated statement of profit or loss and classified under general and administration expenses.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

8.1 Investments in associates

Investments in all associates are accounted for in the Group's consolidated financial statements in accordance with the equity method.

8.1.1 Details of associates

Details of each of the Group's associates at the end of the year are as follows:

Name of Associates		***Country of incorporation***	***Proportion of ownership interest / voting rights***	
			31 December 2023	*31 December 2022*
Arab Satellite Communications Organisation ("Arabsat")	1	Kingdom of Saudi Arabia	**36.66%**	36.66%
Virgin Mobile Saudi Consortium ("VMSC")	2	Kingdom of Saudi Arabia	**10%**	10%
Oger Telecom Limited ("OTL")	3	United Arab Emirates	**Liquidated**	35%
Virgin Mobile Kuwait	4	State of Kuwait	**10%**	10%
Giza Systems Company for Electromechanical Contracting	5	Egypt	**50.01%**	**50.01%**
Edu Apps	6	Egypt	**40%**	**40%**

1) Arabsat was established in April 1976 by the members of the League of Arab States. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include: Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity. In April 1999, Saudi Telecom Company acquired 36.66% of Arabsat's USD 500 million share capital (equivalent to approximately SR 1,875 million at the exchange rate as of that date).
2) VMSC was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. The Company owns 10% of VMSC's share capital. The Group's ability to exercise significant influence is evidenced by the reliance of VMSC's on the Company's technical network.
3) OTL is a holding company registered in Dubai, the United Arab Emirates. In April 2008, Saudi Telecom Company through one of its subsidiaries (stc Turkey Holding Ltd) acquired 35% of OTL's share capital. During the year 2023, OTL liquidation has been completed.
4) Virgin Mobile Kuwait is indirectly owned through stc Kuwait with 10% ownership. The Group's ability to exercise significant influence is evidenced by the reliance of Virgin Mobiles Kuwait on stc Kuwait's technical network.
5) Giza Systems Company for Electromechanical Contracting was established in 2011 to execute operation works, engineering consultancy, evaluations of systems and electronic devices and computers. The company is indirectly owned through Solutions with 50.01% ownership. Solutions accounts for this investment as an associate as it has significant influence without having control and rights that enable Solutions to direct decisions and relevant activities of this company.
6) Edu Apps is indirectly owned through Solutions with 40% ownership. Edu Apps, a private limited company, was established in 2016 to execute software designing and development services.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

8.1 Investments in associates (continued)

8.1.2 Financial information of material associates

Summarized financial information of the material associate is set out below:

Arabsat	**31 December 2023(*)**	*31 December 2022(*)*
Statement of financial position		
Current assets	**1,439,022**	1,316,698
Non-current assets	**3,844,428**	4,008,575
Current liabilities	**(398,997)**	(381,346)
Non-current liabilities	**(1,358,064)**	(1,624,374)

	For the year ended 31 December	
	2023(*)	*2022(*)*
Statement of income and other comprehensive income		
Revenue	**856,286**	844,644
Net income	**179,347**	153,124
Other comprehensive income	**19,648**	12,638
Total comprehensive income	**198,995**	165,762
The Group's share in net income (loss and impairment)	**65,749**	(23,265) (**)

(*) The Group recorded its share in Arabsat results based on the latest available financial information.
(**) During 2022, impairment of SR 79.4 million has been recorded as a result of completing impairment test of Arabsat assets and issuance of Arabsat financial statements of the year ended 31 December 2021 during 2022. In 2023, no impairment has been recorded due to absence of impairment indicators.

The following is the reconciliation of the above-summarized financial information to the carrying amount of the Group's interest in Arabsat:

	31 December 2023	*31 December 2022*
Net assets of the associate	**3,526,389**	3,319,553
Proportion of the Group's ownership interest in Arabsat	**36.66%**	36.66%
Carrying amount of the Group's interest in Arabsat	**1,292,774**	1,216,948

8.1.3 Financial information on not individually material associates

The following is the aggregate information of associates that are not individually material for the year ended 31 December:

	2023	*2022*
The Group's share in net (loss) profit	**(6,242)**	1,052
Aggregate carrying amount of the Group's interests in these associates	**3,368**	10,438

8.1.4 Carrying amount of the Group's investment in associates:

The following is the carrying amount of the Group's investment in associates as at 31 December:

	2023	*2022*
Material associate (8.1.2)	**1,292,774**	1,216,948
Not individually material associates (8.1.3)	**3,368**	10,438
Total carrying amount of the Group's interest in associates	**1,296,142**	1,227,386

(All Amounts in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

8.2 Investments in joint ventures

Investments in all joint ventures mentioned below are accounted for in the Group's consolidated financial statements in accordance with the equity method.

8.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

Name of joint venture		*Country of incorporation*	*Proportion of ownership interest/voting rights*	
			31 December 2023	*31 December 2022*
Arab Submarine Cables Company Limited	1	Kingdom of Saudi Arabia	**50%**	50%
Contact Centres Company ("CCC")	2	Kingdom of Saudi Arabia	**-**	49%
Binariang GSM Sdn Bhd ("BGSM")	3	Malaysia	**25%**	25%
Integrated Data Company for Information and Technology	4	Kingdom of Saudi Arabia	**39%**	-

1) Arab Submarine Cables Company Limited was established on September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for the telecommunications between them and any other country.

   The operations of the company started in June 2003 and stc acquired 50% of its SR 75 million share capital in September 2002. In November 2016, the company's capital was reduced to SR 25 million

2) CCC was established to provide call centre services and answer directory queries with Aegis Company at the end of December 2010 in the Kingdom, with a share capital of SR 4.5 million with the Company acquiring 50% of its share capital. During the fourth quarter of 2015, the Company sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement, thus making the Company's share 49%. On 3 April 2023, Solutions completed the acquisition of CCC by acquiring all shares of stc (49%) and ESM Holding Company (51%) for a full cash consideration for the entire acquisition amounting to SR 513.7 million. CCC is engaged in providing services related to submission of proposals and technical solutions in the field of telecommunications and information technology support and maintenance, systems development, support, and communications programs and information technology.
   The acquisition was considered, at the Group level, as a step acquisition with change in control in accordance with IFRS 3 'Business Combinations' and the Group started consolidating CCC from the acquisition completion date (note 7). A gain was recognized from remeasuring the previously held equity interest in CCC amounting to SR 133 million within net other gains item in the consolidated statement of profit or loss.

3) BGSM is an investment holding group registered in Malaysia which owns 62% of Maxis Malaysian Holding Group ("Maxis"), a major telecom operator in Malaysia.

   During the year 2007, the Company acquired (through its subsidiaries stc Asia holding and stc Malaysia holding) 25% of BGSM's MYR 20.7 billion share capital, equivalent to approximately SR 23 billion at the exchange rate as at that date.

   During 2013, the Company conducted a review of its foreign investment in BGSM (joint venture), including the manner in which this investment was being managed and how joint control had been effectively exercised. As a result, the Company signed an amendment to the shareholders' agreement with other shareholders of BGSM with respect to certain operational matters of Aircel (one of Binariang group subsidiaries at that time). Consequently, the group ceased to account for its investment in Aircel using the equity method effective from the second quarter of 2013.

4) During the second quarter of 2023, Integrated Data Company for Information and Technology was established in the Kingdom of Saudi Arabia as a joint venture among the Company (39%), Etihad Etisalat Company (30%) and Mobile Telecommunication Saudi Company (31%) with share capital of SR 22 million. This entity provides various services including demographic analyses, population statistics, data on population size, as well as traffic and transportation statistics, public road routes, and parking information.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

8.2 Investments in joint ventures (continued)

8.2.2 Financial information of material joint ventures

Summarized financial information in respect of the material joint venture is set out below:

BGSM	***31 December 2023***	*31 December 2022*
Statement of financial position		
Current assets	**3,094,948**	3,416,444
Non-current assets	**25,348,786**	26,840,930
Current liabilities	**(4,996,051)**	(3,986,564)
Non-current liabilities	**(13,420,215)**	(15,501,884)

The above amounts of assets and liabilities include the following:

	31 December 2023	*31 December 2022*
Cash and cash equivalents	**1,220,719**	1,626,723
Current financial liabilities (excluding trade and other payables and provisions)	**(894,803)**	(1,154,190)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(10,983,308)**	(12,606,767)

	For the year ended 31 December	
	2023	*2022*
Statement of income and other comprehensive income		
Revenues	**8,112,835**	8,264,249
Net profit	**364,165**	493,374
Other comprehensive (loss) income	**(10,644)**	5,091
Total comprehensive income	**353,521**	498,465
Depreciation and amortization	**(1,487,860)**	(1,547,736)
Finance income	**38,180**	37,828
Finance cost	**(772,653)**	(764,413)
Income tax expense	**(389,223)**	(477,935)
Net (loss) profit after non-controlling interest	**(64,840)**	148,647
The Group's share in net loss (*)	**(16,210)**	(1,221,305)

(*) During the year 2022, the Group recorded an impairment provision amounting to SR 1,259 million related to its investment in BGSM (a joint venture) due to decline in fair value as a result of the decline in market conditions and quoted share prices of key underlying investment. The Group determined the recoverable amount of its investment in BGSM Holding Group using the value in use method considering five years long range plan and applied a weighted average cost of capital of 6.1% - 7.2% and a terminal growth rate of 2.3% - 2.6% in its business model.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

8.2 Investments in joint ventures (continued)

8.2.2 Financial information of material joint ventures (continued)

The following is the reconciliation of the above summarized financial information to the carrying amount of the Group's interest in Binariang GSM Sdn Bhd ("BGSM"):

	31 December 2023	*31 December 2022*
Net assets of BGSM (excluding non-controlling interest share)	**11,407**	320,160
Proportion of the Group's ownership interest in the joint venture	**2,852**	80,040
Adjustments: the carve-out of Aircel Group and others	**3,452,473**	3,449,989
Goodwill and fair value adjustments	**1,352,070**	1,352,070
Accumulated impairment	**(1,603,461)**	(1,603,461)
Carrying amount of the Group's interest in the joint venture	**3,203,934**	3,278,638

8.2.3 Financial information of not individually material joint ventures

The following is the aggregate information of joint ventures that are not individually material for the year ended 31 December:

	2023	*2022*
The Group's share of net profit	**9,282**	31,594
The Group's share of other comprehensive loss	**(402)**	(9,806)
The Group's share of total comprehensive income	**8,880**	21,788
Aggregate carrying amount of the Group's interests in these joint ventures	**25,073**	129,632

8.2.4 Carrying amount of the Group's investment in the joint ventures

The following is the carrying amount of the Group's investment in joint ventures as at 31 December:

	2023	*2022*
Material joint venture (8.2.2)	**3,203,934**	3,278,638
Not individually material joint ventures (8.2.3)	**25,073**	129,632
Total carrying amount of the Group's share in the joint ventures	**3,229,007**	3,408,270

(All Amounts in Saudi Riyals thousands unless otherwise stated)

9. SEGMENT INFORMATION

The Group is engaged mainly in providing telecommunication services and related products. The majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Outside of the Kingdom, the Group operates through its subsidiaries, associates and joint ventures in several countries.

Revenue is distributed to an operating segment based on the entity of the Group reporting the revenue. Sales between segments are calculated at normal business transaction prices.

The disclosed operating segments exceeded the 75% of total external Group revenue.

The following is an analysis of the Group's revenues and results based on segments for the year ended 31 December:

	2023	*2022*
Revenues [(1)]		
stc	**49,218,179**	48,776,400
Channels	**14,194,210**	11,451,268
Solutions	**11,040,493**	8,805,091
stc Kuwait	**4,278,282**	4,113,509
Tawal	**3,343,350**	2,868,172
stc Bahrain	**1,913,287**	1,790,151
stc Bank	**1,063,006**	1,040,786
Intigral	**643,314**	538,058
Sirar	**588,606**	430,288
Specialized	**397,492**	361,769
Other operating segments [(2)]	**1,300,436**	61,196
Eliminations / adjustments	**(15,644,044)**	(12,805,142)
Total revenues	**72,336,611**	67,431,546
Cost of operations (excluding depreciation, amortization and impairment)	**(47,653,600)**	(42,352,879)
Depreciation, amortization and impairment	**(10,482,577)**	(9,990,226)
Cost of early retirement program	**(862,842)**	(365,727)
Finance income	**1,512,581**	602,463
Finance cost	**(1,270,744)**	(696,602)
Net other expenses	**(110,549)**	(136,220)
Net share in results and impairment of investments in associates and joint ventures	**52,579**	(1,211,924)
Net other gains	**1,273,518**	189,666
Zakat and income tax	**(1,375,498)**	(1,083,175)
Net profit	**13,419,479**	12,386,922
Net profit attributable to:		
Equity holders of the Parent Company	**13,295,381**	12,170,537
Non-controlling interests	**124,098**	216,385
	13,419,479	12,386,922

(All Amounts in Saudi Riyals thousands unless otherwise stated)

9. SEGMENT INFORMATION (CONTINUED)

Following is the Group's gross profit analysis on a segment basis for the year ended 31 December:

	2023	2022
Stc	**30,456,154**	30,650,068
Channels	**3,083,568**	2,480,001
Solutions	**2,792,163**	2,172,378
stc Kuwait	**2,061,419**	1,974,042
Tawal	**2,684,415**	2,250,720
stc Bahrain	**878,634**	825,145
stc Bank	**207,653**	158,195
Intigral	**445,684**	416,431
Sirar	**173,207**	129,880
Specialized	**178,078**	203,692
Other operating segments (2)	**501,288**	(2,168)
Eliminations / adjustments	**(5,658,573)**	(3,865,129)
Gross profit	**37,803,690**	37,393,255

The following is the Group's an analysis of the assets and liabilities on a segment basis as at:

	31 December 2023	31 December 2022
Assets		
Stc	**151,346,881**	137,287,162
Channels	**11,148,734**	8,538,854
Solutions	**11,516,244**	10,282,336
stc Kuwait	**5,462,864**	5,210,735
Tawal	**18,490,654**	11,932,999
stc Bahrain	**5,629,610**	6,053,709
stc Bank	**5,028,908**	3,807,596
Intigral	**958,351**	970,807
Sirar	**598,762**	437,443
Specialized	**780,705**	681,644
Other operating segments (2)	**23,213,588**	8,548,024
Eliminations / adjustments	**(74,492,531)**	(56,531,323)
Total assets	**159,682,770**	137,219,986
Liabilities		
Stc	**58,068,759**	49,199,031
Channels	**9,789,528**	7,077,118
Solutions	**8,163,690**	7,459,278
stc Kuwait	**2,486,943**	2,246,463
Tawal	**14,341,336**	8,406,669
stc Bahrain	**4,112,396**	4,639,682
stc Bank	**4,116,537**	2,784,891
Intigral	**920,837**	995,981
Sirar	**338,872**	199,852
Specialized	**746,836**	673,131
Other operating segments (2)	**17,591,430**	3,337,055
Eliminations / adjustments	**(42,509,560)**	(25,824,757)
Total liabilities	**78,167,604**	61,194,394

(All Amounts in Saudi Riyals thousands unless otherwise stated)

9. SEGMENT INFORMATION (CONTINUED)

Additions to property and equipment, intangible assets and goodwill

Following are the total additions to property and equipment, intangible assets and goodwill (Notes 10 and 12) based on the segments for the year ended 31 December:

	2023	*2022*
stc	**9,197,707**	6,751,241
Channels	**172,697**	169,779
Solutions	**463,715**	452,102
stc Kuwait	**265,093**	517,835
Tawal	**6,017,568**	996,555
stc Bahrain	**359,549**	684,391
stc Bank	**210,787**	62,226
Intigral	**230,274**	285,786
Sirar	**12,040**	1,555
Specialized	**3,869**	13,620
Other operating segments (2)	**384,459**	216,865
	17,317,758	10,151,955

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 15,644 million for the year ended 31 December 2023 (2022: SR 12,805 million) inter-segment sales and adjustments (between the Group's Companies) which were eliminated at consolidation.

(2) Other operating segments include the following subsidiaries: Aqalat Limited ("Aqalat"), Smart Zone Real Estate, stc Gulf Investment Holding ("stc Gulf"), stc GCC Cable Systems W.L.L., Company Sendouk Al-Abatakar for Investment, Digital Centers for Data and Telecommunications ("Center3"), Internet of Things Information Technology ("IoTsquared"), and General Cloud Computing Company for Information Technology ("SCCC"), stc Asia Holding, stc Turkey Limited Holding, Green Bridge Investment ("GBI") and Green Bridge Management ("GBM") (Note 6).

Information about major customers

Included in revenues arising from sales to major customers are revenues of approximately SR 11,647 million for the year ended 31 December 2023 (2022: SR 12,240 million) resulting from sales to Government entities (Note 21.2). No other single customers contributed 10% or more to the Group's revenues.

Information about geographical segmentation

Geographical segmentation of revenues (Note 35) and non-current assets are as follows:

	Revenues for the year ended		***Non-current assets as at***	
	31 December 2023	*31 December 2022*	***31 December 2023***	*31 December 2022*
Kingdom of Saudi Arabia	**63,798,268**	60,929,840	**67,984,284**	66,434,371
Outside the Kingdom of Saudi Arabia	**8,538,343**	6,501,706	**20,474,361**	9,995,168
	72,336,611	67,431,546	**88,458,645**	76,429,539

(All Amounts in Saudi Riyals thousands unless otherwise stated)

10. PROPERTY AND EQUIPMENT

	Land and buildings	*Telecommunication network and equipment*	*Other assets* [3]	*Capital work in progress*	*Total*
Cost					
As at 1 January 2023	15,097,119	107,046,598	9,263,154	3,562,587	134,969,458
Additions	105,516	130,449	164,035	8,278,020	8,678,020
Effect of acquisition of new subsidiaries (Note 7)	749	992,280	60,558	3,960	1,057,547
Disposals	(599,694)	(2,279,257)	(310,497)	(1,231)	(3,190,679)
Transfers/ Reclassifications	914,375	6,719,965	234,216	(8,305,125)	(436,569)
Effect of foreign currency exchange differences	(2,946)	(21,519)	(5,245)	(2,196)	(31,906)
As at 31 December 2023	15,515,119	112,588,516	9,406,221	3,536,015	141,045,871
Accumulated depreciation and impairment					
As at 1 January 2023	9,136,357	73,082,504	6,105,331	-	88,324,192
Depreciation and impairment	300,918	6,122,619	411,440	-	6,834,977
Effect of acquisition of new subsidiaries (Note 7)	1,388	603,701	47,632	-	652,721
Disposals	(562,726)	(2,077,801)	(298,969)	-	(2,939,496)
Transfers/ Reclassifications	41,586	15,394	32,985	-	89,965
Effect of foreign currency exchange differences	(427)	(14,128)	(3,266)	-	(17,821)
As at 31 December 2023	8,917,096	77,732,289	6,295,153	-	92,944,538
Net book value as at 31 December 2023	6,598,023	34,856,227	3,111,068	3,536,015	48,101,333

(All Amounts in Saudi Riyals thousands unless otherwise stated)

10. PROPERTY AND EQUIPMENT (CONTINUED)

	Land and buildings	*Telecommunication network and equipment*	*Other assets* [3]	*Capital work in progress*	*Total*
Cost					
As at 1 January 2022	16,417,378	102,806,208	9,720,848	2,674,499	131,618,933
Additions	1,250	572,692	111,764	6,103,781	6,789,487
Effect of acquisition of new subsidiaries (Note 7)	18,607	16,676	33,028	891	69,202
Disposals	(226,540)	(2,412,715)	(438,310)	(104,654)	(3,182,219)
Transfers/ Reclassifications	(1,110,275)	6,122,631	(159,615)	(5,110,436)	(257,695)
Effect of foreign currency exchange differences	(3,301)	(58,894)	(4,561)	(1,494)	(68,250)
As at 31 December 2022	15,097,119	107,046,598	9,263,154	3,562,587	134,969,458
Accumulated depreciation and impairment					
As at 1 January 2022	9,267,603	69,035,341	6,110,951	-	84,413,895
Depreciation	396,924	5,919,862	485,940	-	6,802,726
Effect of acquisition of new subsidiaries (Note 7)	3,408	13,429	25,325	-	42,162
Disposals	(163,323)	(2,374,937)	(367,901)	-	(2,906,161)
Transfers/ Reclassifications	(367,649)	525,786	(148,695)	-	9,442
Effect of foreign currency exchange differences	(606)	(36,977)	(289)	-	(37,872)
As at 31 December 2022	9,136,357	73,082,504	6,105,331	-	88,324,192
Net book value as at 31 December 2022	5,960,762	33,964,094	3,157,823	3,562,587	46,645,266

Property and equipment are depreciated using the following estimated useful lives:

Buildings	10 - 50 years
Telecommunication network and equipment	3 - 30 years
Other assets	3 - 20 years

(All Amounts in Saudi Riyals thousands unless otherwise stated)

10. PROPERTY AND EQUIPMENT (CONTINUED)

1) Land and buildings include lands with a total value of SR 1,898 million as at 31 December 2023 (2022: SR 2,207 million). This includes land with ongoing ownership transfer to the Company with a value of SR 105 million as at 31 December 2023 (2022: SR 141 million).
2) Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to 21 April 1998), referred to in Note (1-A), ownership of the assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some land are still ongoing. The value of land with legal titles transferred to the Company up to 31 December 2023 amounted to SR 1,995 million (2022: SR 1,959 million). Ownership transfer of the remaining land with total value of SR 49 million (2022: SR 85 million) is ongoing, which constitutes part of the amount referred to in paragraph (1) above.
3) Other assets include furniture, fixtures, motor vehicles, computers and tools.
4) Additions include Non-cash additions amounted to SR 1,441 million (2022: SR 1,293 million).
5) The following table shows the breakdown of depreciation and impairment expense if allocated to operating cost items for the year ended 31 December:

	2023	*2022*
Cost of revenues	**5,710,425**	5,622,501
Selling and marketing expenses	**8,123**	8,390
General and administrative expenses	**1,116,429**	1,171,835
	6,834,977	6,802,726

11. INVESTMENT PROPERTIES

	31 December 2023	*31 December 2022*
Lands (*)	**348,647**	36,980
Work in-progress (**)	**453,088**	173,841
	801,735	210,821

(*) During the year ended 31 December 2023, the Group transferred lands with a book value of SR 312 million (2022: nil) from property and equipment to investment properties for the purpose of real estate development and investment property.

(**) During the year ended 31 December 2023, the additions to work in-progress amounted to SR 279 million (2022: SR 140 million), including non-cash additions amounted to SR 58 million (2022: SR 10 million).

The fair value of the lands amounted to SR 1,626 million (2022: a land with fair value of SR 269 million), which were valued by RAWAJ Real Estate Valuation license no. 1210000062 and First Valuator license no. 1210000221 appointed as an independent, professionally qualified valuers accredited by the Saudi Authority for Accredited Valuers (Taqeem). The fair value measurement is classified within level 3 based on valuation techniques applied (residual value method, comparables method and discounted cash flow method).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

12. INTANGIBLE ASSETS AND GOODWILL

	Computer software	*Telecommunication Licenses*	*Goodwill* [1]	*Others* [2]	*Projects in progress*	*Total*
Cost						
As at 1 January 2023	16,097,614	8,936,077	323,282	3,093,399	1,208,773	29,659,145
Additions	235,054	393,299	26,200	221,539	2,383,046	3,259,138
Effect of acquisition of new subsidiaries (Note 7)	46,842	-	4,815,344	146,200	-	5,008,386
Disposals	(3,623,386)	(78,830)	-	(11,137)	-	(3,713,353)
Transfers/ Reclassifications	2,185,680	-	76,555	(58,260)	(2,243,597)	(39,622)
Effect of foreign currency exchange differences	(665)	(4,060)	(13,789)	(61,172)	(11)	(79,697)
As at 31 December 2023	14,941,139	9,246,486	5,227,592	3,330,569	1,348,211	34,093,997
Accumulated amortization and impairment						
As at 1 January 2023	12,302,088	4,083,924	25,117	1,472,994	-	17,884,123
Amortization and impairment	1,624,220	542,922	13,464	437,336	-	2,617,942
Effect of acquisition of new subsidiaries (Note 7)	32,612	-	-	-	-	32,612
Disposals	(3,613,643)	(78,830)	-	(9,030)	-	(3,701,503)
Transfers/ Reclassifications	(95)	14	-	14,893	-	14,812
Effect of foreign currency exchange differences	(517)	(1,655)	(155)	(33,738)	-	(36,065)
As at 31 December 2023	10,344,665	4,546,375	38,426	1,882,455	-	16,811,921
Net book value as at 31 December 2023	4,596,474	4,700,111	5,189,166	1,448,114	1,348,211	17,282,076

(All Amounts in Saudi Riyals thousands unless otherwise stated)

12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Computer software	*Telecommunication Licenses*	*Goodwill* [1]	*Others* [2]	*Projects in progress*	*Total*
Cost						
As at 1 January 2022	14,786,097	8,904,494	143,222	2,703,537	652,444	27,189,794
Additions	170,061	79,173	-	286,796	2,272,315	2,808,345
Effect of acquisition of new subsidiaries (Note 7)	-	-	220,303	341,780	-	562,083
Disposals	(592,807)	(45,325)	-	(271,820)	(5,066)	(915,018)
Transfers/ Reclassifications	1,735,757	-	-	35,339	(1,710,920)	60,176
Effect of foreign currency exchange differences	(1,494)	(2,265)	(40,243)	(2,233)	-	(46,235)
As at 31 December 2022	16,097,614	8,936,077	323,282	3,093,399	1,208,773	29,659,145
Accumulated amortization						
As at 1 January 2022	11,492,906	3,602,422	25,395	1,334,273	-	16,454,996
Amortization	1,414,644	519,464	-	353,899	-	2,288,007
Effect of acquisition of new subsidiaries (Note 7)	-	-	-	35,000	-	35,000
Disposals	(590,250)	(37,617)	-	(271,263)	-	(899,130)
Transfers/ Reclassifications	(14,198)	-	-	24,230	-	10,032
Effect of foreign currency exchange differences	(1,014)	(345)	(278)	(3,145)	-	(4,782)
As at 31 December 2022	12,302,088	4,083,924	25,117	1,472,994	-	17,884,123
Net book value as at 31 December 2022	3,795,526	4,852,153	298,165	1,620,405	1,208,773	11,775,022

(All Amounts in Saudi Riyals thousands unless otherwise stated)

12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

1) Goodwill consists of:
   - Goodwill resulted from the Company's acquisition of Solutions amounting to SR 75.6 million (2022: SR 75.6 million).
   - Goodwill resulted from stc Kuwait's acquisition of Qualitynet amounting to SR 42.2 million (2022: SR 42.2 million).
   - Goodwill resulted from stc Kuwait's acquisition of E-Portal Holding amounting to SR 103.5 million. During the year 2023, an incremental goodwill resulted from stc Kuwait's acquisition of E-Portal Holding, after the completion of the purchase price allocation of net assets reports, amounting to SR 76.6 million in addition to a provisional goodwill amounting to SR 26.9 million recorded in the year 2022.
   - Goodwill resulted from Solutions' acquisition of Giza amounting to SR 219.6. During the year 2023, an incremental goodwill resulted from Solutions' acquisition of Giza, after the completion of the purchase price allocation of net assets reports, amounting to SR 26.2 million in addition to a provisional goodwill amounting to SR 193.4 million recorded in the year 2022. The currency exchange losses effect as at 31 December 2023 amounted to SR 53.6 million (2022: SR 40 million).
   - Goodwill resulted from Solutions' acquisition of Contact Centers Company ("CCC") amounting to SR 144 million (Note 7).
   - A provisional goodwill resulted from Tawal's acquisition of three towers companies from United Group (In Bulgaria, Croatia and Slovenia), amounting to SR 4,652 million until the completion of the reports on the fair value allocation of net assets (Note 7).
   - A provisional goodwill of SR 6.3 million (net after recording a goodwill impairment of SR 13.5 million) resulted from Tawal's acquisition of AWAL Telecom Company, registered in the Republic of Pakistan, until the completion of the reports on the fair value allocation of net assets (Note 7).
2) Includes contractual intangible assets such as submarine cable networks, content agreements.
3) On 23 January 2023, the Company obtained licenses to provide internet service on board aircraft, as well as mobile communications service via satellite in the Kingdom of Saudi Arabia, for a financial consideration of SR 427 million for a period of 15 years, starting from 2023.
4) Non-cash additions amounted to SR 927 million (2022: SR 603 million).

Intangible assets are amortized using the following estimated useful lives:

Computer software	5 – 7 years
Telecommunication licenses	15 – 25 years
Others	3-20 years

The following table shows the breakdown of amortization and impairment expense if allocated to operating costs items for the year ended 31 December:

	2023	*2022*
Cost of revenues	**740,668**	635,598
Selling and marketing expenses	**45,392**	32,171
General and administrative expenses	**1,831,882**	1,620,238
	2,617,942	2,288,007

The following are the net book value and expiry dates of the main mobile operating licenses and frequency spectrum as at:

Country	***End of amortization period***	***31 December 2023***	*31 December 2022*
Kingdom of Saudi Arabia	2029 / 2032 / 2033 / 2034 / 2037	**2,663,085**	2,628,315
State of Kuwait	2023/ 2033 / 2039	**1,461,711**	1,604,981
Kingdom of Bahrain	2031 / 2034 / 2038	**575,315**	618,857
		4,700,111	4,852,153

(All Amounts in Saudi Riyals thousands unless otherwise stated)

12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The following are the type, cost and expiry dates of the main mobile operating licenses and frequency spectrum as at:

Country	***License type***	***End of amortization period***	***31 December 2023***	*31 December 2022*
Kingdom of Saudi Arabia	Frequency spectrum: (1930-1980)/(2150-2170) Megahertz	2029	**753,750**	753,750
Kingdom of Saudi Arabia	Frequency spectrum 1: (703-718)/(758-773) MHZ (1727-1735)/(1822-1830)MHZ	2032	**2,175,673**	2,175,673
Kingdom of Saudi Arabia	Frequency spectrum 2: (718-723)/(773-778) MHZ (1735-1745)/(1830-1840) MHZ	2033	**470,606**	470,606
Kingdom of Saudi Arabia	Frequency spectrum 3: (2300-2400)MHZ	2034	**279,573**	279,573
Kingdom of Saudi Arabia	Frequency spectrum 4: (3600-3700)MHZ	2034	**587,586**	587,586
Kingdom of Saudi Arabia	Spectrum License 5 - non-terrestrial networks / CH1-1980-1995 MHz based	2037	**149,750**	-
Kingdom of Saudi Arabia	Spectrum License 6 - non-terrestrial networks/ CH2-1995-2010 MHz based	2037	**164,719**	-
			4,581,657	4,267,188
State of Kuwait	Frequency spectrum 2	2023	**79,003**	79,492
State of Kuwait	Kuwait License	2033	**3,256,133**	3,256,133
State of Kuwait	ISP License	2039	**234,725**	236,178
			3,569,861	3,571,803
Kingdom of Bahrain	MT - TRA Licenses	2031	**77,935**	78,086
Kingdom of Bahrain	Spectrum 800 & 2600 MHz	2034	**44,108**	44,193
Kingdom of Bahrain	TRA Mobile License Services	2038	**892,821**	894,549
Kingdom of Bahrain	LTE Spectrum Fees	2038	**66,113**	66,140
Kingdom of Bahrain	Others	2038	**13,991**	14,118
			1,094,968	1,097,086
			9,246,486	8,936,077

(All Amounts in Saudi Riyals thousands unless otherwise stated)

13. RIGHT OF USE ASSETS

	Lands and Buildings	*Motor Vehicles*	*Leased Towers*	*Total*
At 1 January 2023	**2,937,746**	**45,583**	**46,495**	**3,029,824**
Additions (*)	**1,222,709**	**4,561**	**21,884**	**1,249,154**
Effect of acquisition of new subsidiaries	**565,354**	**-**	**-**	**565,354**
Depreciation	**(972,101)**	**(45,868)**	**(11,689)**	**(1,029,658)**
Terminations and modifications	**(12,384)**	**-**	**-**	**(12,384)**
At 31 December 2023	**3,741,324**	**4,276**	**56,690**	**3,802,290**
At 1 January 2022	2,788,762	96,049	66,841	2,951,652
Additions (*)	1,082,861	-	-	1,082,861
Effect of acquisition of new subsidiaries	6,990	-	-	6,990
Depreciation	(828,681)	(50,466)	(20,346)	(899,493)
Terminations and modifications	(112,186)	-	-	(112,186)
At 31 December 2022	2,937,746	45,583	46,495	3,029,824

(*) Non-cash additions amounted to SR 1,249 million (2022: SR 1,083 million).

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and Buildings	2 – 31 years
Motor vehicles	3 – 5 years
Leased towers	2-10 years

The Group elected not to recognize right-of-use assets for short-term and low-value leases, and hence the lease payments associated with these contracts were recognized as expenses during the year in the consolidated statement of profit or loss and amounted to SR 133 million (2022: SR 127 million).

The following table shows the breakdown of depreciation expense if allocated to operating costs items for the year ended 31 December:

	2023	*2022*
Cost of revenues	**798,204**	695,983
Selling and marketing expenses	**6,420**	9,862
General and administrative expenses	**225,034**	193,648
	1,029,658	899,493

(All Amounts in Saudi Riyals thousands unless otherwise stated)

14. ASSETS HELD FOR SALE

Property and equipment have been reclassified as held for sale measured at the lower of carrying amount and fair value less costs to sell as at 31 December:

	2023	2022
Lands at carrying amount (1)	**21,259**	82,006
Telecom towers at fair value less costs to sell (2)	**30,000**	-
	51,259	82,006

1- During the year 2023, a land owned by the Company was sold, with a carrying amount of SR 82 million through a public auction, at a value of SR 1,378 million and recorded a gain amounting to SR 1,296 million in net other gains in consolidated statement of profit or loss (Note 41). During the year 2023, lands with carrying amount of SR 21 million have been reclassified as assets held for sale (2022: SR 82 million).
2- During the year 2023, Tawal entered into the settlement agreement with one of the customers. This settlement offer is for exiting the contract and transferring certain number of towers back to the customer with book value of SR 42 million and a fair value less costs to sell of SR 30 million.

15. CONTRACT ASSETS AND COSTS

15.1 Contract assets

	31 December 2023	*31 December 2022*
Unbilled revenue	**8,616,210**	7,525,919
Less: allowance for impairment loss	**(205,071)**	(206,056)
	8,411,139	7,319,863
Current (1)	**7,398,762**	6,579,898
Non-current (2)	**1,012,377**	739,965
	8,411,139	7,319,863

(1) Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and networks installation contracts unbilled yet. Upon completion of a billing cycle, the amounts recognized as contract assets are reclassified to trade receivables. The majority of balances are billed within one calendar month except for balances subject to settlement agreements with telecom operators which could be extended to one year or more.
(2) Non-current contract assets represent balances related to unbilled receivables on sold devices. The term of the contracts for the sold devices ranges between 12 - 24 months.
(3) The average expected credit loss rate on contract assets for the year ended 31 December 2023 is 2.3% (2022: 2.7%).
(4) Significant changes in contract assets balances: contract assets increased by SR 121 million for the year ended 31 December 2023 (2022: SR 117 million) as a result of the acquisition of new subsidiaries

(All Amounts in Saudi Riyals thousands unless otherwise stated)

15. CONTRACT ASSETS AND COSTS (CONTINUED)

Movement of allowance for impairment loss of contract assets during the year ended 31 December as follows:

	2023	***2022***
Balance at 1 January	**206,056**	215,227
Additions (Note 37)	**135,851**	122,879
Effect of acquisition of new subsidiaries	**-**	3,178
Written off	**(136,836)**	(135,228)
Balance at 31 December	**205,071**	206,056

15.2 Contract costs

Contract costs consist of the following:

	31 December 2023	*31 December 2022*
Costs to obtain the contracts (1)	**87,658**	111,475
Costs to fulfil the contracts (2)	**428,007**	369,047
	515,665	480,522
Current	**83,174**	44,435
Non-current	**432,491**	436,087
	515,665	480,522

(1) Costs to obtain contracts relate to incremental commission fees and additional incentives paid to intermediaries, dealers and employees as a result of obtaining contracts with customers. These costs are amortized on a straight line basis over the period of the contract/anticipated contract.

(2) Costs to fulfil contracts are installation costs and are amortized on a straight line basis over the period of the contract/anticipated contact.

The following table shows the allocation of contract costs amortization and impairment losses among operating costs items for the year ended 31 December:

	2023	*2022*
Cost of revenues (Note 36)	**150,725**	171,647
Selling and marketing expenses (Note 37)	**93,645**	117,200
	244,370	288,847

(All Amounts in Saudi Riyals thousands unless otherwise stated)

16. FINANCIAL ASSETS AND OTHERS

16.1 Financial assets

	31 December 2023	31 December 2022
Financial assets measured at FVTOCI		
Listed equity investments[1]	**4,130,284**	-
Financial assets measured at FVTPL		
Investment funds and unlisted equity investments [2]	**3,532,376**	2,929,065
Advance cash collateral against purchase of a listed equity investment [3]	**4,468,557**	-
	8,000,933	2,929,065
Financial assets at amortized cost:		
Sukuk [4] [5]	**5,313,050**	5,234,375
Customers' trust accounts of stc Bank	**2,532,874**	1,781,098
Loans to employees[6]	**410,679**	382,541
Investment accounts of stc Bank	**500,000**	-
Others	**1,489,404**	1,271,996
	10,246,007	8,670,010
Financial derivatives- options [7]	**662,073**	-
	23,039,297	11,599,075
Current	**10,724,517**	2,763,111
Non-current	**12,314,780**	8,835,964
	23,039,297	11,599,075

1) During the third quarter of the year 2023, the Group has completed the purchase of 4.9% direct shareholding in Telefonica. Telefonica is a leading European telecommunications operator through its significant presence in three of the largest European markets, namely Spain, Germany and the UK, in addition to Brazil which is the largest market in Latin America. These investments are irrevocably designated at fair value through OCI. The Group has received dividends during the fourth quarter of 2023 amounting to SR 173 million which are included as other income in the consolidated statement of profit or loss.
2) The Group invests in various venture funds which are investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in the Kingdom and other global markets.
3) Amount represents an advance collateral payment, until obtaining the relevant regulatory approvals expected within one year, against the Group's signing a contingent sale purchase agreement with one of the international investment banks to acquire an additional shareholding of 5% in Telefonica.
4) The Group invested in Sukuk issued by the Ministry of Finance during the first quarter of 2019 as the following:

	Tranche I	***Tranche II***
Nominal Investment value	***1,762,000***	***2,140,000***
Investment duration	5 years	10 years
Yield	3.17%	3.9%

5) During the year 2007, stc Asia Holding Company Limited (a subsidiary) invested in Sukuk issued by Binariang GSM Sdn Bhd ("BGSM") in the amount of RM 1,508 million (equivalent to SR 1,383 million) period for a of 50 years (callable after 10 years) with an annual profit margin of 6 months KLIBOR+8.51%. These sukuks are not past due or low in value with a book value of SR 1,230 million as of 31 December 2023 (2022: SR 1,287 million).

16. FINANCIAL ASSETS AND OTHERS (CONTINUED)

16.1 Financial assets (continued)

6) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 15 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new housing loans provided to an employee after June 2016 are being funded through a local commercial bank and are guaranteed by the Company. The Company bears the finance cost of the loans.

7) The Group has entered into options agreement to hedge against price risk in relation to its investment in Telefonica with a hedge ratio of 1:1. The contractual arrangements of these instruments entail the partial return of dividends for the underlying investment to the counterparty. During the year 2023, the transferred dividends to the counterparty amounted to SR 224 million (Note 32.1), which are included as other expenses in the consolidated statement of profit or loss.

   Below are the details of the fair value changes for the year ended 31 December 2023:

	EUR'000	SR'000
Portion at fair value through other comprehensive income	**59,129**	**241,845**
Portion at fair value through profit or loss	**60,336**	**246,782**
	119,465	**488,627**

16.2 Other assets

	31 December 2023	*31 December 2022*
Advances	**612,612**	742,390
Prepaid expenses	**421,598**	287,831
Deferred expenses	**317,376**	191,517
Others	**313,525**	235,192
	1,665,111	1,456,930
Current	**1,478,697**	1,335,996
Non-current	**186,414**	120,934
	1,665,111	1,456,930

17. INVENTORIES

	31 December 2023	*31 December 2022*
Goods held for resale*	**2,090,694**	1,254,232
Less: allowance for slow moving inventories	**(185,723)**	(231,631)
	1,904,971	1,022,601

*The Group's inventories mainly consist of mobile devices.

The following is an analysis of the allowance for slow moving inventories for the year:

	2023	*2022*
Balance at 1 January	**231,631**	283,495
Additions	**44,323**	31,297
Effect of acquisition of new subsidiaries	**-**	1,002
Write off /adjustment	**(90,231)**	(84,163)
Balance at 31 December	**185,723**	231,631

(All Amounts in Saudi Riyals thousands unless otherwise stated)

18. TRADE RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables	**23,786,025**	25,633,279
Less: allowance for impairment loss	**(2,384,754)**	(2,454,692)
	21,401,271	23,178,587

Ageing analysis of trade receivables as follows (*):

	31 December 2023			*31 December 2022*		
	Gross Amounts	**Allowance for impairment loss**	**ECL Rate**	Gross Amounts	Allowance for impairment loss	ECL Rate
Not past due	**3,828,989**	**(291,027)**	**7.6%**	3,746,101	(332,506)	8.9%
Past due:						
1 – 30 days	**390,994**	**(30,615)**	**7.8%**	527,723	(31,853)	6.0%
31 – 90 days	**2,212,927**	**(276,045)**	**12.5%**	2,074,871	(192,051)	9.3%
91 – 150 days	**2,063,922**	**(176,427)**	**8.6%**	2,776,183	(247,167)	8.9%
151 – 365 days	**7,091,967**	**(598,577)**	**8.4%**	7,861,864	(825,507)	10.5%
>365 days	**8,197,226**	**(1,012,063)**	**12.4%**	8,646,537	(825,608)	9.5%
	23,786,025	**(2,384,754)**	**10.0%**	25,633,279	(2,454,692)	9.6%

(*) The amounts above include balances with government and government related entities.

Movement of trade receivables' allowance for impairment loss for the year ended 31 December was as follows:

	2023	2022
Balance at 1 January	**2,454,692**	2,758,363
Additions (Note 37)	**449,144**	821,993
Effect of acquisition of new subsidiaries	**1,676**	51,012
Written off /recovered	**(520,758)**	(1,176,676)
Balance at 31 December	**2,384,754**	2,454,692

The expected credit loss is estimated as per approved accounting policies which consider, in determining the recoverability of a trade receivable, any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Trade receivables balance from Government entities amounted to SR 17,129 million as at 31 December 2023 (2022: SR 19,311 million) (Note 21-2). No other clients represent more than 10% of the total balance of trade receivables.

Receivable aging from government entities is as follows:

	31 December 2023	31 December 2022
Less than a year	**10,323,282**	11,695,931
More than one year but less than two years	**4,243,442**	4,631,346
More than two years	**2,562,511**	2,983,376
	17,129,235	19,310,653

19. SHORT TERM MURABAHAS

The Group invests part of its excess cash in murabahas that have maturity of more than three months but less than a year with several banks, with a profit rate ranging from 5.20 % to 6.45 % (2022: 1.18 % to 5.50 %).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

20. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Short term murabaha (with three months maturity or less)*	**10,914,555**	14,166,570
Cash at banks and in hand	**2,499,570**	3,627,823
	13,414,125	17,794,393

*The Group invests a part of its surplus cash in murabahas with maturities of three months or less with several banks with a profit rate ranging between 3.30% - 6.42% (2022: 0.35 % - 5.50 %).

21. RELATED PARTY TRANSACTIONS

21.1 Trading transactions and balances with related parties (Associates and Joint Ventures – Note 8)

The Group trading transactions with related parties during the year ended 31 December were as follows:

	2023	2022
Services provided		
Associates	**369,852**	336,571
Joint ventures	**6,655**	7,659
	376,507	344,230
Services received		
Associates	**36,069**	13,331
Joint ventures	**115,018**	427,745
	151,087	441,076

The sale and purchase transactions are carried out by the relevant parties in accordance with the normal terms of trade. The outstanding balances are unguaranteed, without commission and no guarantees have been provided or received in relation to the balances due or from the related parties.

The following balances were outstanding as at the end of the financial year:

	Amounts due from related parties		*Amounts due to related parties*	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Associates	**320,247**	254,377	**28,011**	44,532
Joint ventures	**2,414**	13,185	**5,960**	178,872
	322,661	267,562	**33,971**	223,404

In addition, the Group invests in sukuk issued by a joint venture entity (BGSM) amounting to RM 1,508 million (equivalent to SR 1,383 million at the exchange rate as at investment date) with a book value of SR 1,230 million as of 31 December 2023 (2022: SR 1,287 million) (Note 16.1).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

21. RELATED PARTY TRANSACTIONS (CONTINUED)

21.2 Trade transactions and related parties' balances (government and government related entities)

Revenues from transactions with government and government related entities for the year ended 31 December 2023 amounted to SR 13,168 million (2022: SR 13,847 million) and expenses related to transactions with government and government related entities for the year ended 31 December 2023 (including government charges) amounted to SR 5,806 million (2022: SR 6,098 million).

As at 31 December 2023, accounts receivable from government entities totalled SR 17,129 million (2022: SR 19,311 million) (Note 18) and as at 31 December 2023, accounts payable to government entities totalled SR 1,503 million (2022: SR 1,142 million). Among the balances with government entities, the Group invested SR 3,902 million in the Sukuk issued by the Ministry of Finance during the first quarter of 2019 (Note 16.1).

The total balance of accounts receivable with government related entities as of 31 December 2023 was SR 1,526 million (2022: SR 1,451 million). Total balance of accounts payable with government related entities as of 31 December 2023 was SR 1,884 million (2022: SR 1,621 million).

The transactions with government/government related entities are conducted during the ordinary course of the Group's business based on terms comparable to the terms of transactions enacted with other entities that are not government-related. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

Government entities are defined as ministries, commissions and other entities of the Government. On the other hand, Government related entities are defined as PIF and its subsidiaries, associates and joint ventures.

21.3 Loans to related parties

	31 December 2023	*31 December 2022*
Loans to senior executives	**26,377**	5,355

21.4 Benefits, remuneration and compensation of board members and senior executives

The remuneration and compensation of board members and senior executives during the year ended 31 December were as follows:

	2023	*2022*
Short-term benefits and remuneration	**625,666**	467,522
Provision for leave and end of service benefits	**172,177**	178,305
Share-based payments	**121,479**	112,292
Others	**9,452**	13,664
Total compensations	**928,774**	771,783

22. SHARE CAPITAL

The Board of Directors recommended on 11 June 2022 (corresponding to 12 Thul-Qi'dah 1443H) to the Extraordinary General Assembly ("EGA") to increase the Company's share capital from SR 20,000 million to SR 50,000 million via the capitalization of SR 30,000 million of retained earnings. Each shareholder is granted 1.5 shares for each 1 share owned at the eligibility date. The proposed increase in share capital was approved by the EGA on 30 August 2022 (corresponding to 3 Safar 1444H) and bonus shares issuance to shareholders was completed during third quarter of the year 2022. Consequently, the number of ordinary shares issued to the Company increased from 2,000 million shares to 5,000 million shares, an increase of 3,000 million shares during the third quarter of 2022 .The Company has completed the relevant regulatory requirements, including the update of the Commercial Registration for the revised capital amount, and the amendment of the Company's by-laws.

	31 December 2023	*31 December 2022*
Authorized, issued and fully paid capital comprises		
5 billion fully paid ordinary shares at SR 10 each share	**50,000,000**	50,000,000
Number of outstanding shares "in thousands"	**4,984,506**	4,982,178
Number of treasury shares "in thousands"	**15,494**	17,822
	5,000,000	5,000,000

23. STATUTORY RESERVE

The EGA approved in its meeting on 4 Thul-Hijjah 1444H (corresponding to 22 June 2023) the amendment of the Company's Bylaws in accordance with the new Companies Law which became effective as at 19 January 2023. The EGA also approved transferring the balance of the statutory reserve as at 31 December 2022 amounting to SR 11,217 million to the retained earnings since the statutory reserve is not required in light of the new Companies Law and the amended bylaws. During the third quarter of the year 2023, the relevant regulatory procedures and requirements have been completed and the balance of the statutory reserve has been transferred to retained earnings.

24. TREASURY SHARES

During the year 2020, the Company started the purchase of its own shares with an amount of SR 300 million to be allocated to the Employees' Long-term Incentives Program (Note 46).

In addition, during the year 2022, the Company completed the purchase of additional shares with an amount of SR 453 million to be allocated to the same incentives program (Note 46).

The following is the number of treasury shares (in thousands) as at 31 December:

	2023	*2022*
Treasury shares as at 1 January	**17,822**	2,851
Treasury shares re-issued	**(2,328)**	(357)
Treasury shares before effect of bonus issue	**15,494**	2,494
Effect of bonus issue	**-**	3,740
	15,494	6,234
Treasury shares purchased	**-**	11,588
Treasury shares as at 31 December	**15,494**	17,822

(All Amounts in Saudi Riyals thousands unless otherwise stated)

25. OTHER RESERVES

	Foreign currency translation reserve	Actuarial gain (loss)	Changes in shareholding of subsidiaries	Other reserves	Total
As at 1 January 2023	**(90,800)**	**(320,583)**	**2,041,018**	**402,604**	**2,032,239**
Remeasurement of the end of service benefit provision (Note 28)	-	**(203,262)**	-	-	**(203,262)**
Share-based payment transactions	-	-	-	**25,981**	**25,981**
Transactions with non-controlling interest (Note 6)	-	-	**225,501**	-	**225,501**
Exchange difference on translation of foreign operations	**83,453**	-	-	-	**83,453**
Share from associates and joint ventures	-	-	-	**(26,539)**	**(26,539)**
Changes in fair value for hedging instruments and equity investments through other comprehensive income	-	-	-	**(12,181)**	**(12,181)**
As at 31 December 2023	**(7,347)**	**(523,845)**	**2,266,519**	**389,865**	**2,125,192**

	Foreign currency translation reserve	Actuarial gain (loss)	Changes in shareholding of subsidiaries	Other reserves	Total
As at 1 January 2022	(16,231)	(1,145,871)	2,303,593	430,966	1,572,457
Remeasurement of the end of service benefit provision (Note 28)	-	825,288	-	-	825,288
Share-based payment transactions	-	-	-	50,701	50,701
Transactions with non-controlling interest (Note 6)	-	-	(262,575)	-	(262,575)
Exchange difference on translation of foreign operations	(74,569)	-	-	-	(74,569)
Share from associates and joint ventures	-	-	-	(79,063)	(79,063)
As at 31 December 2022	(90,800)	(320,583)	2,041,018	402,604	2,032,239

(All Amounts in Saudi Riyals thousands unless otherwise stated)

26. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests as at:

Name of Subsidiary	***Proportion of ownership and voting rights acquired by non-controlling interests***		***Non-controlling share of profit (loss) for the year ended 31 December***		***Non-controlling interests as of 31 December***	
	2023	*2022*	***2023***	*2022*	***2023***	*2022*
stc Kuwait	**48.2%**	48.2%	**191,638**	195,597	**1,433,263**	1,428,779
Solutions	**20.0%**	20.0%	**239,029**	210,743	**693,384**	564,611
Others (*)	**-**	-	**(306,569)**	(189,955)	**403,574**	532,677
			124,098	216,385	**2,530,221**	2,526,067

(*) Includes the Group's investment in stc Bank, IoTsquared and SCCC (Note 6).

The following is a summary of the financial statements of individually material subsidiaries which is non-wholly owned by the Group and have material non-controlling interests:

	As at 31 December 2023	
	stc Kuwait	**Solutions**
Statement of financial position		
Current assets	**2,757,949**	**10,296,333**
Non-current assets	**2,704,915**	**1,219,911**
Current liabilities	**(2,004,969)**	**(7,195,438)**
Non-current liabilities	**(481,974)**	**(968,252)**
Net assets	**2,975,921**	**3,352,554**
Group's share of net assets	**1,542,658**	**2,659,170**
Non-controlling interests' share of net assets	**1,433,263**	**693,384**

	For the year ended 31 December 2023	
	stc Kuwait	**Solutions**
Statement of income and other comprehensive income		
Revenues	**4,278,282**	**11,040,493**
Net Profit	**398,777**	**1,195,145**
Other comprehensive loss	**(4,332)**	**(97,242)**
Total comprehensive income	**394,445**	**1,097,903**
Group's share of comprehensive income	**204,472**	**878,322**
Non-controlling interests' share of comprehensive income	**189,973**	**219,581**
Dividends paid to non-controlling interests	**178,047**	**118,976**

(All Amounts in Saudi Riyals thousands unless otherwise stated)

26. NON-CONTROLLING INTERESTS (CONTINUED)

	For the year ended 31 December 2023	
	stc Kuwait	**Solutions**
Statement of cash flows		
Operating activities	**1,123,998**	**1,715,337**
Investing activities	**(349,583)**	**1,036,159**
Financing activities	**(482,670)**	**(688,976)**
Net increase in cash and cash equivalents	**291,745**	**2,062,520**

	As at 31 December 2022	
	stc Kuwait	Solutions
Statement of financial position		
Current assets	2,329,921	9,383,268
Non-current assets	2,880,814	899,068
Current liabilities	(1,736,347)	(6,656,330)
Non-current liabilities	(510,116)	(802,948)
Net assets	2,964,272	2,823,058
Group's share of net assets	1,535,493	2,258,447
Non-controlling interests' share of net assets	1,428,779	564,611

	For the year ended 31 December 2022	
	stc Kuwait	Solutions
Statement of income and other comprehensive income		
Revenues	4,113,509	8,805,091
Net Profit	406,123	1,053,713
Other comprehensive income (loss)	10,835	(86,313)
Total comprehensive income	416,958	967,400
Group's share of comprehensive income	215,984	773,920
Non-controlling interests' share of comprehensive income	200,974	193,480
Dividends paid to non-controlling interests	147,219	95,040

	stc Kuwait	Solutions
Statement of cash flows		
Operating activities	971,581	2,106,500
Investing activities	(571,206)	(3,206,525)
Financing activities	(266,342)	56,884
Net increase (decrease) in cash and cash equivalents	134,033	(1,043,141)

(All Amounts in Saudi Riyals thousands unless otherwise stated)

27. BORROWINGS

Total loans repaid during the year ended 31 December 2023 amounted to SR 433 million (2022: SR 133 million). Total loans received during the year ended 31 December 2023 amounted to SR 11,834 million (2022: SR 1,277 million). A list of the loans are as follows:

Nature of borrowing	Date of borrowing	Date of final instalment	Currency	Profit rate	Current portion		Non-current portion	
					Balance as at 31 December 2023	Balance as at 31 December 2022	Balance as at 31 December 2023	Balance as at 31 December 2022
Sukuk (1)	May 2019	May 2029	US Dollar	3.89%	-	-	4,676,733	4,674,892
Sukuk (2)	June 2014	June 2024	Saudi Riyal	3 month SAIBOR + 0.70%	2,000,000	-	-	2,000,000
Murabaha (3) (4)	December 2017	December 2027	Malaysian Ringgit	6 months KLIBOR + 0.65%	-	-	1,231,344	1,287,156
Murabaha (4)	September 2021	August 2026	US Dollar	6 months LIBOR + 0.75%	-	-	696,705	697,357
Murabaha (5)	March 2021	November 2029	US Dollar	1.27%	68,757	79,078	342,800	401,110
Murabaha (5)	September 2023	September 2024	US Dollar	3 months SOFR + 0.85% (For first 6 Months) 3 months SOFR + 1.50 % (thereafter)	5,962,629	-	-	-
Murabaha (5)	August 2023	February 2025	US Dollar	6 months SOFR + 0.50%	-	-	1,125,000	-
Murabaha (5)	August 2023	August 2028	US Dollar	6 months SOFR + 0.95%	-	-	4,095,000	-
Murabaha(4)	February 2019	December 2025	Saudi Riyal	3 months SAIBOR + 0.55%	-	-	155,000	155,000
Murabaha (5)	March 2022	March 2028	Kuwaiti Dinar	CBK +0.55%	70,168	-	210,503	282,409
Mudarabha (5)	December 2018	May 2026	Bahraini Dinar	2.10%	3,594	3,317	6,386	10,695
Murabaha (4)	January 2023	January 2029	US Dollar	3 months SOFR+0.95%	-	-	248,675	-
Murabaha (4)	August 2022	August 2036	Saudi Riyal	6 months SAIBOR+0.60%	-	-	354,495	203,116
Murabaha (4)	June 2022	June 2027	Saudi Riyal	6 months SAIBOR + 0.45%	-	-	499,127	498,878
Others					210,580	194,388	-	3,137
Total					**8,315,728**	276,783	**13,641,768**	10,213,750

(All Amounts in Saudi Riyals thousands unless otherwise stated)

27. BORROWINGS (CONTINUED)

(1) At the General Assembly meeting on 19 Shaaban of 1440 H (corresponding to April 24, 2019), the Company approved the establishment of an international sukuk program and the issuance of sukuk either directly or by establishing special purpose vehicles that are established and used to issue primary or secondary sukuk in one or several parts or one or several stages, or through a series of issues in US dollars, not exceeding the amount of USD 5,000 million for the total value of the sukuk issues and parts of the sukuk program referred to above at any time.

Based on the above, the Saudi Telecom Sukuk Company Limited during the second quarter of 2019 (a company established for the purpose of issuing sukuk under the sukuk program referred to above in US dollar) launched the first issue of the sukuk program in the amount of SR 4,688 million (equivalent to USD 1,250 million) for 10 years. This program is an international sukuk in US dollar, with a total number of 6,250 sukuk and a nominal value of USD 200 thousand per sukuk having an annual return of 3.89% and a maturity of ten years.

(2) The Company issued a sukuk program with a maximum of SR 5 billion. Sukuk certificates have a nominal value of SR 1 million each, and they were issued with a nominal value for a period of 10 years.

(3) stc Asia Holding Limited has extended its syndicated variable commission loan's repayment date from December 2022 to December 2027.

(4) These facilities are secured.

(5) These facilities are unsecured.

28. RETIREMENT BENEFITES PLANS

End of service benefit provision

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 number of service years, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the years of employment.

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

Discount rate risk	A decrease in the discount rate will increase the end of service benefits plan liability.
Change in salaries 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 salaries of the plan participants will increase the plan's liability.

Calculation of end of service benefit provision was performed using the most recent actuarial valuation as at 31 December 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The significant actuarial assumptions during 2023, used in determining the end of service benefit obligation, represent the discount rate of (4.40 %-5.70 %) ,the expected increase in salary (1.25 %-6.00 %) and experience adjustments (2022: discount rate of (4.30 %-5.20 %) and the expected increase in salary (3.00 %-5.00 %)) resulting in recording of net actuarial losses included in the consolidated statement of comprehensive income amounting to SR 214 million (2022: actuarial gain amounting to SR 828 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

28. RETIREMENT BENEFITES PLANS (CONTINUED)

End of service benefit provision (continued)

The net expenses recognized in the consolidated statement of profit or loss are as follows for the year ended 31 December:

	2023	*2022*
Services cost	**435,847**	441,196
Interest cost	**237,265**	144,236
	673,112	585,432

Movements of end of service benefit provision for the year ended 31 December is as follow:

	2023	*2022*
Balance at 1 January	**4,871,335**	5,466,916
Expenses recognized in the consolidated statement of profit or loss	**673,112**	585,432
Effect of acquisition of new subsidiaries	**95,870**	27,585
Actuarial (gains) losses recognized in the consolidated statement of comprehensive income during the year resulting from:		
- Changes in financial assumptions	**69,010**	(933,809)
- Experience adjustments	**145,464**	105,415
Paid	**(609,280)**	(384,132)
Exchange differences and others	**12,902**	3,928
Balance at 31 December	**5,258,413**	4,871,335

The following table shows the maturity profile of the Group's undiscounted defined benefit obligations as at 31 December:

	2023	*2022*
One year or less	**55,389**	101,177
Above one year but less than five years	**502,206**	612,516
Above five years	**7,256,948**	7,000,163
	7,814,543	7,713,856

The following table shows the change in defined benefit obligation balance based on increase / decrease in the below assumptions:

		2023	**Defined benefit obligation**	
	Change in Assumption	**Base Value**	**After increase in assumption**	**After decrease in assumption**
Discount rate	**100 basis points**	**5,258,413**	**4,780,950**	**5,660,836**
Salary change rate	**100 basis points**	**5,258,413**	**5,662,816**	**4,771,957**

		2022	Defined benefit obligation	
	Change in Assumption	Base Value	After increase in assumption	After decrease in assumption
Discount rate	100 basis points	4,871,335	4,446,236	5,269,254
Salary change rate	100 basis points	4,871,335	5,270,763	4,438,310

The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit provision as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

28. RETIREMENT BENEFITES PLANS (CONTINUED)

Defined contribution plans

The Group participates in pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2023 is SR 661 million (2022: SR 586 million).

Early retirement plan

The Group has early retirement plan for its employees. The amount recognized as an expense early retirement plan for the year ended 31 December 2023 is SR 863 million (2022: SR 366 million).

29. LEASE LIABILITIES

Following is the movement on lease liabilities:

	2023	*2022*
Balance as at 1 January	**3,296,120**	3,223,167
Additions	**1,633,022**	1,224,574
Effect of acquisition of new subsidiaries	**581,149**	6,677
Payments	**(1,218,622)**	(1,037,357)
Financing costs (Note 40)	**120,395**	83,447
Other adjustments	**(212,823)**	(204,388)
Balance as at 31 December	**4,199,241**	3,296,120
Current	**947,703**	912,914
Non-current	**3,251,538**	2,383,206
	4,199,241	3,296,120

30. CONTRACT LIABILITIES

	31 December 2023	*31 December 2022*
Deferred revenue from services	**5,119,536**	4,927,796
Material right/ customer loyalty program	**572,557**	515,560
	5,692,093	5,443,356
Current [(1)]	**4,581,371**	4,671,441
Non-current [(2)]	**1,110,722**	771,915
	5,692,093	5,443,356

(1) The current portion of contract liabilities relates to unearned revenue pertaining to unutilized prepaid card units sold and the value of customer loyalty program points not yet redeemed. Revenue recognized during the year that was included in the contract liability balance at the beginning of the year amounted to SR 4,777 million (2022: SR 3,591 million).

(2) The non-current portion of contract liabilities mainly relates to amounts received by one of the group subsidiaries from a key customer to construct a fibre optic network for which capital work completed amounted to SR 591 million (Note 45.3).

(3) Significant changes in contract liabilities balances: contract liabilities increased by SR 41 million as a result of the acquisition of new subsidiaries (2022: SR 77 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

31. PROVISIONS

	31 December 2023	31 December 2022
Legal and regulatory provisions [1]	2,593,786	2,450,092
Decommissioning provision [2]	318,639	163,488
	2,912,425	2,613,580
Current	2,221,748	2,124,132
Non-current	690,677	489,448
	2,912,425	2,613,580

	2023	2022
***Legal and regulatory provision* [1]**		
Balance as at 1 January	2,450,092	4,095,264
Additions	389,517	172,122
Effect of acquisition of new subsidiaries	-	24,265
Reversal of provision	(86,435)	(1,369,240)
Payment / settlements	(159,388)	(472,319)
Balance as at 31 December	2,593,786	2,450,092
***Decommissioning provision* [2]**		
Balance as at 1 January	163,488	103,204
Additions	5,635	8,910
Unwinding of discount	8,853	5,799
Effect of acquisition of new subsidiaries	106,993	-
Adjustment	33,670	45,575
Balance as at 31 December	318,639	163,488

1) The Company is considered a party to a number of legal and regulatory claims. The Group, after taking independent legal advice, has established provisions after taking into account the facts for each case.

2) In the course of the Company's normal activities, a number of sites and other assets are utilized which are expected to have costs associated with restoration of the assets. The associated cash outflows are expected to occur primarily in years up to ten years from the date when the assets are brought in use.

32. FINANCIAL LIABILITIES AND OTHERS

32.1 Financial liabilities

	31 December 2023	*31 December 2022*
Customers' deposits – stc Bank (Note 16.1)	**2,532,874**	1,781,098
Dividends payable	**2,246,738**	2,223,109
Financial liabilities related to frequency spectrum licenses	**1,792,926**	1,849,838
Government charges	**1,552,086**	1,198,765
Financial derivatives - forward contract (1)	**262,998**	-
Other financial liabilities(2)	**547,534**	523,469
	8,935,156	7,576,279
Current	**6,734,287**	5,257,941
Non-current	**2,200,869**	2,318,338
	8,935,156	7,576,279

(1) The Group has entered into a forward agreement in relation to its investment in Telefonica to ensure that the Group has synthetic stake of 5% in Telefonica pending regulatory approval such that it is eligible to obtain all economic benefits as ordinary shareholders. During the year 2023, the manufactured dividends received amounted to SR 167 million which are included as other income in the consolidated statement of profit or loss.

Below are the details of the forward agreement and the change in fair value for the year ended 31 December 2023:

	EUR'000	**SR'000**
Notional value	**1,079,649**	**4,468,557**
Revaluation loss recognized in profit or loss	**63,543**	**259,899**

(2) Mainly includes the following:

a) During the year 2022, the Group has granted a put option to non-controlling interest shareholders in SCCC in which the Group commits to purchase 27% shareholding in the subsidiary at fair value at the exercise date of the option. As a result, the Group has recorded, as at 31 December 2022, a non-current financial liability of SR 469 million against the reduction in non-controlling interests of SR 206 million and other reserves of SR 263 million. As at 31 December 2023, the decrease in the fair value of the non-current liability resulting from the put option is recognized in equity amounting to SR 226 million (Note 43.2).

b) Deferred expense with a fair value amounting to SR 165 million as at 31 December 2023 on the options agreement the Group has entered into in relation to its investment in Telefonica.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

32. FINANCIAL LIABILITIES AND OTHERS (CONTINUED)

32.2 Other liabilities

	31 December 2023	*31 December 2022*
Deferred income (*)	**3,954,147**	3,757,569
Others	**472,347**	352,993
	4,426,494	4,110,562
Current	**483,667**	364,324
Non-current	**3,942,827**	3,746,238
	4,426,494	4,110,562

(*) The details of deferred income are as follows:

	31 December 2023	*31 December 2022*
Government grants (**)	**3,612,879**	3,722,846
Others	**341,268**	34,723
	3,954,147	3,757,569

(**) The government grants represent grants provided by Communications, Space & Technology Commission ("CST") to the Company to build telecommunication networks in different areas in the Kingdom (Note 4.8).

33. TRADE AND OTHER PAYABLES

	31 December 2023	*31 December 2022*
Accrued expenses	**11,617,247**	11,165,147
Trade payables	**4,875,450**	4,546,557
Notes payable	**2,709,851**	2,340,614
Employee accruals	**1,902,137**	1,725,276
Others	**1,048,833**	930,323
	22,153,518	20,707,917

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

(All Amounts in Saudi Riyals thousands unless otherwise stated)

34. ZAKAT AND INCOME TAX

	31 December 2023	*31 December 2022*
Zakat provision (a)	**2,570,467**	2,044,356
Income tax provision (b)	**62,301**	40,356
	2,632,768	2,084,712

a. Zakat provision

The Group calculates and records the zakat provision based on the zakat base in accordance with the zakat rules and principles in the Kingdom:

	2023	*2022*
Share capital – beginning of the year	**50,000,000**	20,000,000
Additions:		
Retained earnings, reserves , provisions and others – beginning of the year	**74,427,177**	86,266,243
Adjusted net profit	**12,223,309**	10,501,592
Adjusted total shareholders' equity	**136,650,486**	116,767,835
Deductions:		
Net property (adjusted) and investments	**80,509,898**	65,889,099
Dividends paid	**7,921,068**	7,984,024
Deferred expenses and other balances	**4,819,438**	3,902,000
Total adjusted deductions	**93,250,404**	77,775,123
Zakat base	**43,400,082**	38,992,712
Zakat on wholly owned companies for the year	**1,109,221**	996,951
Zakat adjustments during the year	**(12,539)**	(57,666)
Add: zakat on partially owned companies for the year	**219,020**	117,639
Total zakat provision charged during the year	**1,315,702**	1,056,924

(All Amounts in Saudi Riyals thousands unless otherwise stated)

34. ZAKAT AND INCOME TAX (CONTINUED)

a. Zakat Provision (continued)

The following is the movement of zakat provision:

	2023	2022
Balance at 1 January	**2,044,356**	1,805,742
Additions	**1,315,702**	1,056,924
Effect of acquisition of new subsidiaries	**16,703**	-
Reversal / Settlements	**2,471**	(6,876)
Amounts paid	**(808,765)**	(811,434)
Balance at 31 December	**2,570,467**	2,044,356

The Group submitted all zakat returns until the end of 2022, with payment of zakat due based on those returns, and accordingly the Group received zakat certificates for those years. Effective from year 2009, the Group started the submission of a consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the executive regulations for collecting zakat.

The Group received from Zakat, Tax, and Customs Authority ("ZATCA") the final zakat assessments up to 2011 and the years ended 31 December 2014 and 2018. The Group did not receive the zakat assessments of the years 2012 and 2013 in addition to the years from 2019 up to 2022.

The Group received a decision from the Tax Committee for Resolution of Tax Violations and Disputes rejecting the objections on zakat assessments for the years from 2015 to 2017 amounting to SR 134 million. The Group submitted its appeal to the Appeal Committee for Tax Violations and Disputes. ZATCA has communicated with the Group to settle the dispute for the mentioned years and the discussions remain in progress. The Group believes in the merit of its zakat position and therefore it will not result in any material additional provisions.

The not wholly owned subsidiaries submit their zakat declarations separately in which they have submitted all zakat returns until the end of 2022, and have paid the zakat dues based on those returns without receiving the zakat assessments.

b. Income tax provision

Income tax provision is calculated in accordance with the prevailing tax regulations in the countries of some subsidiaries.

The following is the movement of income tax provision:

	2023	2022
Balance at 1 January	**40,356**	28,098
Additions	**59,796**	26,251
Effect of acquisition of new subsidiaries	**12,693**	12,211
Foreign currency exchange differences effect / Settlements	**(2,125)**	(6,330)
Amounts paid	**(48,419)**	(19,874)
Balance at 31 December	**62,301**	40,356

(All Amounts in Saudi Riyals thousands unless otherwise stated)

35. REVENUES

	For the year ended 31 December	
	2023	*2022*
Rendering of services	**60,116,483**	57,505,321
Sale of devices	**12,150,518**	9,806,060
Others	**69,610**	120,165
	72,336,611	67,431,546
Timing of revenue recognition		
Recognized over time	**60,186,093**	57,625,486
At a point in time	**12,150,518**	9,806,060
	72,336,611	67,431,546

Geographical segmentation of revenues is provided in the operating segments note (Note 9).

Disaggregation of revenues from government and government related entities are disclosed in related party transactions (Note 21.2).

The aggregate amount of unsatisfied or partially unsatisfied performance obligations related to contracts with customers amounted to SR 5,692 million as at 31 December 2023 (2022: SR 5,443 million). The Group expects to recognize approximately 80 % (2022: 86 %) of these obligations as revenues during the following reporting period.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

36. COST OF REVENUES

	For the year ended 31 December	
	2023	2022
Cost of devices, equipment and software	**13,620,534**	11,394,685
Network access charges (*)	**5,858,711**	4,406,390
Government charges (**)	**4,940,489**	5,535,445
Employees costs	**4,632,036**	3,947,000
Repairs and maintenance	**2,088,093**	2,165,786
Amortization and impairment of contract costs (Note 15.2)	**150,725**	171,647
Others	**3,242,333**	2,417,338
	34,532,921	30,038,291

(*) Network access charges for the year ended 31 December 2022 includes a non-recurring item that represents a reversal of a provision amounting to SR 1,079 million.
(**) Government charges for the year ended 31 December 2023 includes a non-recurring item that represents a reversal of a provision amounting to SR 724 million.

"Others" comprises mainly: direct cost related to stc Bank operations and electricity expenses.

The details of government charges are as follows:

	For the year ended 31 December	
	2023	2022
Commercial service provisioning fees	**4,038,601**	4,720,484
License fees	**444,266**	446,428
Frequency spectrum fees	**361,932**	311,142
Others	**95,690**	57,391
	4,940,489	5,535,445

37. SELLING AND MARKETING EXPENSES

	For the year ended 31 December	
	2023	2022
Employee costs	**2,940,895**	2,778,197
Advertising, publicity and sales commissions	**1,807,283**	1,553,291
Impairment loss on trade receivables (Note 18)	**449,144**	821,993
Impairment loss on contract assets (Note 15.1)	**135,851**	122,879
Amortization and impairment of contract costs (Note 15.2)	**93,645**	117,200
Call centre expenses	**87,765**	257,482
Others	**399,756**	459,196
	5,914,339	6,110,238

"Others" comprises mainly: repairs and maintenance, sadad service fees and consultancy.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

38. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2023	2022
Employees costs	**4,912,080**	3,991,597
Consultancy and other contracted services (*)	**755,018**	607,419
Repairs and maintenance	**577,698**	703,754
Security and safety	**155,290**	139,197
Utilities and cleaning	**146,325**	149,035
Rent	**46,262**	50,639
Others	**613,667**	562,709
	7,206,340	6,204,350

(*) Includes fees of the Group's primary external auditor and its global members' firms for audit and non-audit services amounting to SR 27.9 million and SR 2.6 million; respectively, for the year ended 31 December 2023.

"Others" comprises mainly: insurance premiums and postage and courier expenses.

39. FINANCE INCOME

	For the year ended 31 December	
	2023	2022
Income from murabaha	**1,225,020**	317,482
Income from sukuk	**287,561**	284,981
	1,512,581	602,463

40. FINANCE COST

	For the year ended 31 December	
	2023	2022
Financing costs relating to sukuk	**476,294**	274,850
Financing costs relating to murabaha	**319,233**	84,173
Financing cost relating to lease liabilities (Note 29)	**120,395**	83,447
Unwinding of discounts on provisions and financial liabilities	**354,822**	254,132
	1,270,744	696,602

41. NET OTHER GAINS

	For the year ended 31 December	
	2023	2022
Gain (loss) on sale/disposal of property and equipment & assets held for sale	**1,113,114**	(180,705)
Gain on sale of an associate and a joint venture	**133,243**	27,903
Net gains arising on financial assets measured at FVTPL	**81,346**	398,359
Net foreign exchange losses and others	**(54,185)**	(55,891)
	1,273,518	189,666

42. EARNINGS PER SHARE

The following is the calculation of basic and diluted earnings per share for the year ended 31 December:

	2023	*2022*
Net profit attributable to equity holders of the Parent Company	**13,295,381**	12,170,537
Number of shares "in thousands":		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**4,983,652**	4,991,503
Weighted average number of repurchased ordinary shares	**16,348**	8,497
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**5,000,000**	5,000,000
Earnings per share attributable to equity holders of the Parent Company (in Saudi Riyals):		
- Basic	**2.67**	2.44
- Diluted	**2.66**	2.43

The following is the number of outstanding shares (in thousands) as at:

	2023	*2022*
Outstanding shares as at 1 January	**4,982,178**	1,997,149
Outstanding shares issued	**2,328**	357
Effect of bonus shares issuance	**-**	2,996,260
	4,984,506	4,993,766
Treasury shares purchased	**-**	(11,588)
Outstanding shares as at 31 December	**4,984,506**	4,982,178

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS

43.1 Capital management

The Group manages its capital which includes share capital, statutory reserves, other reserves and retained earnings attributable to the equity holders of the Parent Company to ensure that:

- It will be able to operate as a going concern
- It efficiently finances its working capital and strategic investment requirements at optimal terms
- It provides a long-term dividend policy and maintains a stable dividend pay-out
- It maximizes the total return to its shareholders
- It maintains an appropriate mix of debt and equity capital

The Group reviews its capital structure in light of strategic investment decisions, changing economic environment, and assesses the impact of these changes on cost of capital and risk associated to capital.

The Group is not subject to any externally imposed capital requirements. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2023.

The Group reviews the capital structure on an annual basis to evaluate the cost of capital and the risks associated with capital. The Group has the following target ratios:

1- Debt to EBITDA level of 200% or below
2- Debt to (Debt + Equity) level of 50% or below

The ratios as at the year ended 31 December were as follows:

	2023	*2022*
Debt (a)	**21,957,496**	10,490,533
EBITDA (b)	**24,683,011**	25,078,667
Debt to EBITDA	**89%**	42%
Debt	**21,957,496**	10,490,533
Debt + Equity (c)	**103,472,662**	86,516,125
Debt to (Debt + Equity)	**21%**	12%

a. Debt is defined as current and non-current borrowings (Note 27).
b. EBITDA is defined as operating profit for the year adjusted for depreciation, amortization and impairment.
c. Equity is defined as total equity including share capital, reserves, retained earnings and non-controlling interest.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. In addition for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety (Note 4.20).

The fair values of financial instruments represented in trade and other receivables, short-term murabaha, cash and cash equivalents, and trade and other credit payables closely approximate their book value due to their short maturity.

Financial assets and liabilities measured at fair value:

31 December 2023	***Carrying amount***	***Fair value***		
		Level 1	***Level 2***	***Level 3***
Financial assets				
Listed equity investments (Note 16. 1)	**4,130,284**	**4,130,284** (1)	-	-
Investment funds and unlisted equity investments (Note 16.1)	**3,532,376**	-	-	**3,532,376**(6)
Cash collateral against purchase of a listed equity investment (note 16.1)	**4,468,557**	-	**4,468,557**(2)	-
Financial derivatives- options (Note 16.1)	**662,073**	-	**662,073**(3)	-
Financial liabilities				
Put option to non-controlling interest shareholders (Note 32.1)	**243,000**	-	-	**243,000**(5)
Financial derivatives -forward contract (Note 32.1)	**262,998**	-	**262,998**(4)	-

31 December 2022	*Carrying amount*	*Fair value*		
		Level 1	*Level 2*	*Level 3*
Financial assets				
stc Ventures Fund and STV LP Fund (Note 16.1)	2,929,065	-	-	2,929,065(6)
Financial liabilities				
Put option to non-controlling interest shareholders (Note 32.1)	469,000	-	-	469,000(5)

The following methods / assumptions were used to estimate the fair values:

1. Fair value of equity instruments at level 1 is based on quoted market price at the reporting date.

2. The fair value of advance cash collateral against purchase of a listed equity investment approximates its carrying amount largely due to the short-term maturity of this instrument.

3. The fair value of financial derivatives- options were estimated by using Black Sholes Model. The significant observable inputs are the volatility of share prices and interest rate.

4. The fair value of the financial derivatives -forward contract was estimated by subtracting the quoted market price at the reporting date from the agreed price multiplied with forward number of shares.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments (continued)

5. The fair value of the non-current liability resulting from the put option to non-controlling interest shareholders has been determined within level 3 utilizing various methods including income approach and market approach (Note 32.1).

6. The fair value of the Group's investment in the units of stc Ventures Fund and STV LP Fund (the "Funds") is obtained from the net asset value ("NAV") reports received from the Funds' managers. The Funds' managers deploy various techniques (such as recent round of finance, discounted cash flow models and multiples method) for the valuation of underlying financial instruments classified under level 3 of the respective Fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the Funds' managers include risk adjusted discount rates and lack of marketability discount. An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SR 41 million)/ SR 45 million in fair value (2022: An increase/(decrease) of 10% in the discount rate would lead to a (decrease)/increase of (SR 152 million)/ SR 255 million in fair value). An increase/(decrease) of 10% in the lack of marketability discount would lead to a (decrease)/increase of (SR 61 million)/ SR 41 million in fair value (2022: An increase/(decrease) of 10% in the the lack of marketability discount would lead to a (decrease)/increase of (SR 56 million)/ SR 28 million in fair value). The following is a reconciliation of the Group's investment in these Funds which are categorized within Level "3" of the fair value hierarchy:

	2023	2022
Net asset value as at 1 January	**2,929,065**	2,135,246
Contributions paid to the funds	**572,808**	412,342
Distributions received from the funds	**-**	(16,882)
Net unrealised gain recognised in the consolidated statement of profit or loss (Note 41)	**30,503**	398,359
Net assets value as at 31 December	**3,532,376**	2,929,065

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2023.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Fair value of financial instruments (continued)

Financial assets and liabilities measured at amortized cost:

The Group believes that the other financial assets and liabilities carried at cost in the consolidated financial statements approximate their fair value except for the following:

31 December 2023	***Carrying amount***	***Fair value***		
		Level 1	***Level 2***	***Level 3***
Financial assets				
Financial assets at amortized cost - Sukuk	**3,938,871**	**-**	**3,839,694**	**-**
Financial liabilities				
Borrowings - Sukuk	**4,676,733**	**-**	**4,473,771**	**-**

31 December 2022	*Carrying amount*	*Fair value*		
		Level 1	*Level 2*	*Level 3*
Financial assets				
Financial assets at amortized cost - Sukuk	3,947,219	-	3,837,052	-
Financial liabilities				
Borrowings - Sukuk	4,674,892	-	4,480,569	-

Level 2 inputs are based on quoted prices in non-active market.

There are no transfers between levels of the fair value hierarchy during year ended 31 December 2023.

43.3 Profit rate risk

The Group's main profit rate risk arises from borrowings with variable profit margin rates.

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These analyses show the effects of changes in market profit rates on profit and loss. For floating rate liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 100-basis point increase or (decrease) represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 100 basis points higher (lower) and all other variables were held constant, the impact on the profit of the Group would have been lower (higher) by SR 155 million (2022: the impact on the profit of the Group would have been lower (higher) by SR 39 million). This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

The Group periodically monitors the impact of the incremental changes in profit rates and assesses the impact on the Group's profitability.

43.4 Foreign currency risk management

Saudi Riyal 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 mainly euro. The fluctuation in exchange rates against currencies, which are not pegged with Saudi Riyal, are monitored on a continuous basis and risk is assessed via the Value-at-Risk (VaR) measure. The Group's exposure to foreign currency changes for all other currencies is not material. The sensitivity of the changes of SR/EUR exchange rates by 1% would have impacted equity by SR 88 million.

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.5 Credit risk management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counterparties and limits counterparty exposure. The guidelines and policies allow the Group to invest only with those counterparties that have investment grade credit ratings issued by international credit rating agencies and limits the exposure to a single counterparty by stipulation that the exposure should not exceed 30% of the counterparty's shareholders' equity. Further, the Group's credit risk is monitored on a quarterly basis.

Other than the concentration of credit risk disclosed in Note 18, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with telecom industry norms.

Ongoing evaluation is performed on the financial condition of trade receivables and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (Note 18).

In addition, the Group is exposed to credit risk in relation to financial guarantees given to some subsidiaries with regard to financing arrangements. The Group's maximum exposure in this respect is the maximum amount the Group may have to pay if the guarantee is called on. There is no indication that the Group will incur any loss with respect to its financial guarantees as the date of the preparation of these consolidated financial statements (Note 45).

Cash balances and short term investments were deposited with international banks with credit rating of A and above, while investments made with local banks had an investment grade credit rating of Baa3 and above.

The credit rating of the Company's investments in government sukuk and Binariang GSM Sdn Bhd ("BGSM") sukuk are A and Aa3, respectively as at 31 December 2023 (2022 : A and Aa3, respectively) (Note 16.1).

The carrying value of financial assets represent the maximum exposure to credit risk.

43.6 Liquidity risk management

The Group has established a comprehensive liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements under the guidelines approved.

The Group ensures its liquidity by maintaining cash reserves, short-term investments and committed undrawn credit facilities with high credit rated local and international banks. The Group determines its liquidity requirements by continuously monitoring short and long term cash forecasts in comparison to actual cash flows.

Liquidity is reviewed periodically for the Group and stress tested using various assumptions relating to capital expenditure, dividends, trade receivable collections and repayment of loans without refinancing.

The following table details the Group's remaining contractual maturity for financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.6 Liquidity risk management (continued)

	Undiscounted Cash Flows			
	Carrying amount	***One year or less***	***Above one year but less than five years***	***Above five years***
31 December 2023				
Trade and other payables (Note 33)	**22,153,518**	**22,153,518**	**-**	**-**
Borrowings (Note 27)	**21,957,496**	**8,963,880**	**9,214,542**	**5,587,201**
Lease liabilities (Note 29)	**4,199,241**	**1,234,213**	**2,214,102**	**1,102,776**
Dividends payable (Note 32.1)	**2,246,738**	**2,246,738**	**-**	**-**
Other financial liabilities (Note 32.1)	**6,425,420**	**4,400,599**	**1,513,042**	**922,784**
Financial derivatives - forward contract (Note 32.1)	**262,998**	**262,998**	**-**	**-**
31 December 2022				
Trade and other payables (Note 33)	20,707,917	20,707,917	-	-
Borrowings (Note 27)	10,490,533	610,768	6,129,748	5,486,557
Lease liabilities (Note 29)	3,296,120	1,032,911	1,698,639	989,055
Dividends payable (Note 32.1)	2,223,109	2,223,109	-	-
Other financial liabilities (Note 32.1)	5,353,170	3,339,956	1,353,514	1,436,506

The Group has unused financing facilities amounting to SR 5,917 million as at 31 December 2023 (2022: SR 5,843 million). The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

In accordance with the terms of the agreements with other telecommunication operators, debit and credit balances are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position as follows:

	Gross amounts	***Amounts set off***	***Net amounts***
31 December 2023			
Financial assets subject to set off	**15,478,726**	**(8,475,396)**	**7,003,330**
Financial liabilities subject to set off	**19,731,959**	**(8,475,396)**	**11,256,563**
31 December 2022			
Financial assets subject to set off	13,620,879	(7,380,840)	6,240,039
Financial liabilities subject to set off	17,730,741	(7,380,840)	10,349,901

(All Amounts in Saudi Riyals thousands unless otherwise stated)

43. FINANCIAL INSTRUMENTS (CONTINUED)

43.7 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

	1 January 2023	***Cash flows***	***Non-monetary changes (*)***	***31 December 2023***
Short-term borrowings	**276,783**	**5,893,969**	**2,144,976**	**8,315,728**
Lease liabilities current	**912,914**	**(1,218,622)**	**1,253,411**	**947,703**
Long-term borrowings	**10,213,750**	**5,507,222**	**(2,079,204)**	**13,641,768**
Lease liabilities non-current	**2,383,206**	**-**	**868,332**	**3,251,538**
	13,786,653	**10,182,569**	**2,187,515**	**26,156,737**

	1 January 2022	*Cash flows*	*Non-monetary changes (*)*	*31 December 2022*
Short-term borrowings	1,456,684	89,430	(1,269,331)	276,783
Lease liabilities - current	869,574	(1,037,357)	1,080,697	912,914
Long-term borrowings	7,846,606	1,054,511	1,312,633	10,213,750
Lease liabilities non- current	2,353,593	-	29,613	2,383,206
	12,526,457	106,584	1,153,612	13,786,653

(*) Mainly includes reclassification from non-current to current portion.

43.8 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises different types of risk: interest rate risk, currency risk, and price risk . Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.
The Group is exposed to changes in the value of equity investments and derivatives associated with such investments. To reduce the risk associated with variations in fair value and share price, the Group acquires derivative instruments that hedge the risk profile of such investments.
The hedge ratio for each designation is established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for Group's existing hedge relationships the hedge ratio has been determined as 1:1.
Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. To test the hedge effectiveness, the Group compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.
The hedge ineffectiveness can arise from a change in the credit risk of the counterparty with the hedging instrument.

44. CAPITAL COMMITMENTS

1. One of the Group's subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment sector in the Kingdom of Bahrain and other GCC Countries with an amount of SR 806 million (equivalent to USD 215 million) as at 31 December 2023 (31 December 2022: SR 806 million, equivalent to USD 215 million) (Note 6.16).

2. The Group has contractual commitments for the acquisition of property and equipment and intangible assets amounting to SR 5,814 million as at 31 December 2023 (31 December 2022: SR 4,709 million).

3. During 2022, the Company signed an agreement with STV LP Fund allocated an additional SR 1,125 million (equivalent to USD 300 million) additional investment in the fund out of which SR 221 million (equivalent to USD 59 million) was injected.

45. CONTINGENT ASSETS AND LIABILITIES

1. The Group has outstanding letters of guarantee on behalf of the parent and its subsidiaries amounting to SR 5,466 million as at 31 December 2023 (2022: SR 5,181 million).
2. The Group has outstanding letters of credit as at 31 December 2023 amounting to SR 1,634 million (2022: SR 1,544 million).
3. On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounting to SR 742 million related to construction of a fibre optic network. Based on independent legal opinions obtained, the management believes that the customer's claim has no merit and therefore this claim has no material impact on the financial results of the Group.
4. The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Company's financial position or on the results of its operations as reflected in these consolidated financial statements.
5. The Group received the Appeal Committee for Tax and Disputes' decision with respect to the withholding tax assessment on international operators' networks rentals for the years from 2004 to 2015, rejecting its appeal with an amount of SR 1,500 million. The Group submitted a petition for reconsideration, as it believes that Saudi tax regulations do not impose withholding tax on international interconnection services since the source of income does not occur inside the Kingdom, and therefore these services should not be subject to withholding tax. During the year 2022, the Group received the minutes of meeting of the Appeal Committee for Tax Violations and Disputes' regarding the petition for reconsideration which included the rejection of the petition by the Group. The Group submitted a petition for reconsideration based on new development on this matter. Based on the opinions of relevant consultants, the nature of the technical dispute, and new development on this matter, the Group believes that this assessment will not result into significant additional provisions.
6. The Group received claims from Communications, Space & Technology Commission ("CST") related to imposing government fees on devices sold in instalments for the period from 2018 until the end of the first quarter of 2021, totalling SR 782 million. The Group has objected to these claims within the statutory deadline and a Supreme Court ruling was issued in favour of the Group in regards to two of the claims amounting to SR 724 million. A preliminary court ruling was issued in favor of the Group in regards to the remaining claims amounting to SR 58 million which CST has objected to before appeal court and a ruling was issued in favour of CST for the claims which the Group has objected to before the Supreme Court which is still pending with the Supreme Court as 31 December 2023.

(All Amounts in Saudi Riyals thousands unless otherwise stated)

46. EMPLOYEES LONG-TERM INCENTIVES PROGRAM

46.1 Group's long-term incentives program

The Board of Directors approved on 17 March 2020 (corresponding to 22 Rajab 1441H) to repurchase a number of the Company's shares for an amount not to exceed SR 300 million to be allocated for the employees long-term incentives program (the Program). The Board raised its recommendation to the EGA to approve the Program and to repurchase the shares. The EGA has voted on the approval of this Program during its meeting held on 20 April 2020 (corresponding to 27 Shaban 1441 H).

The Board of Directors approved on 28 June 2022 (corresponding to 29 Thul-Qi'dah 1443H) to repurchase a number of the Company's shares for an amount not to exceed SR 453 million to be allocated for the Program and to raise its recommendation to the EGA for voting. Further, the shares shall be repurchased within 12 months from EGA's approval date. The EGA has voted on the approval during its meeting held on 30 August 2022 (corresponding to 3 Safar 1444H).

The shares repurchased will not have the right to vote in the Company's shareholders General Assembly ("GA"), and will not be entitled to any dividends while the shares still under the Company's possession.

The Program intends to attract, motivate and retain employees responsible for the achievement of the Group's goals and strategy. The Program provides a share-based payment plan for eligible employees participating in the Program by granting them shares in the Company upon completing the duration of service and performance requirements and achieving the targets determined by the Group. The program is generally equity-settled.

The grant and vesting dates, respectively are as follows:

	Cycle 1	Cycle 2	Cycle 3	Cycle 4
Tranche 1	July 2020 / July 2021	July 2021/ May 2022	May 2022/ May 2023	May 2023/ May 2024
Tranche 2	July 2021/ May 2022	May 2022/ May 2023	May 2023/ May 2024	May 2024/ May 2025
Tranche 3	May 2022/ May 2023	May 2023/ May 2024	May 2024/ May 2025	May 2025/ May 2026

The following table shows the shares granted and outstanding at the beginning and ending of the reporting period:

	2023	2022
As at 1 January	**2,498**	344
Shares granted (*)	**2,808**	1,012
Shares vested	**(2,328)**	(357)
Effect of bonus shares issuance	**-**	1,499
As at 31 December	**2,978**	2,498

(*) The number of shares granted has been updated to reflect the number of shares actually granted to eligible executives participating in the program who met all the conditions of granting.

The fair value was calculated based on the market price after deducting the expected dividends per share on the grant date. The average fair value of shares at grant date amounted to SR 43.4 per share (taken into consideration the effect of bonus shares issuance) (2022: SR 42.8 per share). Total expenses related to the Program for the year ended 31 December 2023 amounted to SR 112 million (31 December 2022: SR 85 million), which were included as part of employees benefits expense in the consolidated statement profit or loss, with the corresponding amount recorded under other reserves within equity in accordance with the requirements of International Financial Reporting Standard (2): Share-based Payment (Note 24).

46. EMPLOYEES LONG-TERM INCENTIVE PROGRAM (CONTINUED)

46.2 Subsidiary's long-term incentives program

During the year 2022, one of the subsidiaries started its own long-term incentive program whereby employees render services as consideration for a fixed number of its own shares. The total expense in relation to this program for the year ended 31 December 2023 amounted to SR 9 million (2022: 28 SR million).

47. DIVIDENDS

The Group has dividends policy based on maintaining a minimum dividend of SR 0.40 per share on a quarterly basis. The Company will consider and pay additional dividends subject to the Board of Directors recommendation to the General Assembly ("GA") after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements.

It is probable that additional dividends are likely to vary on a quarterly basis depending on the Company's performance.

The dividends policy will remain subject to:

1- Any material changes in the Company's strategy and business (including the commercial environment in which the Company operates).
2- Laws, regulations and legislation governing the sector in which the Company operates.
3- Any banking, other funding or credit rating covenants or commitments that the Company may be bound to follow from time to time.

In line with this policy, the Company distributed cash dividends to the shareholders for the fourth quarter of 2022 and for the first, second, third quarters of 2023 at a rate of SR 0.40 per share each quarter.

In line with the same policy, the Company will distribute cash dividends to the shareholders of the Company for the fourth quarter of 2023 at a rate of SR 0.40 per share.

On 19 February 2024, the board of directors recommended to distribute additional cash dividends for the year 2023 at the rate of SR 1 per share, this recommendation is to be presented to the General Assembly at its next meeting for voting.

Treasury shares allocated to the employee long-term incentives program are not entitled for any dividends during the period while the shares still under the Company's possession.

48. SUBSEQUENT EVENTS

1- On 10 January 2024, IoT (a subsidiary) has completed the acquisition of 100% of Machines Talk for Contracting Company for cash consideration assuming 100% Enterprise Value of SR 560 million.
2- On 1 February 2024, Solutions (a subsidiary) has completed the acquisition of 40% of Devoteam Middle East for cash consideration assuming 100% Enterprise Value of AED 726.3 million (equivalent to SR 741.7 million).

(All Amounts in Saudi Riyals thousands unless otherwise stated)

49. COMPARATIVE FIGURES

Certain figures have been reclassified as listed below to conform with the classification used for the year ended 31 December 2023. These reclassifications listed below have no impact on previously reported net income, retained earnings or cash positions:

	As previously reported	Amount of reclassification	Amounts after reclassification
Consolidated statement of financial position as 31 December 2022			
Contract liabilities (current)	4,479,205	192,236	4,671,441
Trade and other payables	20,900,153	(192,236)	20,707,917
Contract assets and costs (non-current)	976,328	199,724	1,176,052
Contract assets and costs (current)	6,779,622	(155,289)	6,624,333
Financial assets and others (current)	4,086,580	12,527	4,099,107
Financial assets and others (non-current)	8,931,533	25,365	8,956,898
Investment properties	293,148	(82,327)	210,821

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements for the year ended 31 December 2023 on 9 Sha'aban 1445H (corresponding to 19 February 2024).