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

REVIEWED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

INDEX	**PAGE**

Aldar Audit Bureau
Abdullah Al Basri & Co.
Member Firm of Grant Thornton International Ltd
Grant Thornton | An instinct for growth™

Certified Accountants
Professional Partnership Co.
Lic. No. 323/11/36
C.R. 1010443881
C.C. 15070

Independent auditors' review report
To the shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Mobile Telecommunications Company Saudi Arabia (a Saudi joint stock company) ("the Company")** as of 31 March 2017 and the related interim condensed statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and the related notes (1) to (17) which form an integral part of this interim condensed financial information. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as endorsed in the Kingdom of Saudi Arabia, Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Aldar Audit Bureau
Abdullah Al Basri & Co.

ALDAR AUDIT BUREAU
Professional Partnership Co.
Head Office Riyadh
CR 1010443881
Certified Accountants
Abdullah Al Basri & Co.

Abdullah M. Al Basri
Certified Public Accountant
(License No. 171)

Riyadh, 14 Rajab 1438
Corresponding to 11 April 2017

Head Office – Riyadh
Olaya Main Street - Al-Mousa Complex
Tower 4, 7th Floor
P.O. Box 2195 Riyadh 11451
Kingdom of Saudi Arabia
T (+966) 11 463 0680 (7 lines)
F (+966) 11 464 5939
E infor@ aldaraudit.com
W www.aldaraudit.com

Jeddah Branch
King Fahad Street
Saad H. Abu Khadra Building – Third Floor
P.O. Box 20142 Jeddah 21455
Kingdom of Saudi Arabia
T (+966) 12 662 0629 / 662 0455
F (+966) 12 662 2919
E infoj@aldaraudit.com
W www.aldaraudit.com

Al-Khobar Branch
Al Dhahran Street - Middle East
Commercial Center- 1st Floor
P.O. Box 30048 Al-Khobar 31952
Kingdom of Saudi Arabia
T (+966)13 896 1983 / 896 0592
F (+966)13 899 6276
E infok@aldaraudit.com
W www.aldaraudit.com

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2017

	Notes	**31 March 2017 SR'000**	31 December 2016 SR'000	01 January 2016 SR'000
ASSETS				
Non-current assets				
Property and equipment	4	**6,943,397**	7,005,995	5,007,464
Intangible assets		**15,500,772**	15,620,199	16,460,855
Other assets		**534,180**	532,181	310,036
Total non-current assets		**22,978,349**	23,158,375	21,778,355
Current assets				
Inventories		**39,272**	42,101	103,613
Trade and other receivables		**2,401,017**	2,395,681	2,655,725
Cash and cash equivalents		**1,434,492**	918,560	1,378,498
Total current assets		**3,874,781**	3,356,342	4,137,836
TOTAL ASSETS		**26,853,130**	26,514,717	25,916,191
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	8	**5,837,292**	5,837,292	5,837,292
Hedging reserve		**(9,250)**	(3,968)	(7,204)
Accumulated deficit		**(2,228,874)**	(2,274,339)	(1,295,949)
Total capital and reserves		**3,599,168**	3,558,985	4,534,139
Non-current liabilities				
Long-term borrowings	6	**10,263,720**	10,141,090	9,904,333
Amounts due to related parties	5	**5,594,622**	5,456,713	4,804,205
Other non-current liabilities		**698,879**	696,793	151,979
Derivative financial instruments		**9,250**	3,968	7,204
Provision for employees' end of service benefits	7	**75,536**	75,323	67,809
Total non-current liabilities		**16,642,007**	16,373,887	14,935,530
Current liabilities				
Trade and other payables		**4,216,869**	4,195,913	3,259,503
Current portion of long-term borrowings	6	**1,878,844**	1,857,269	2,455,075
Deferred revenue		**516,242**	528,663	731,944
Total current liabilities		**6,611,955**	6,581,845	6,446,522
TOTAL EQUITY AND LIABILITIES		**26,853,130**	26,514,717	25,916,191

Mehdi Khalfaoui	**Peter Kaliaropoulos**	**Naif bin Sultan bin Mohammed bin Saud Al Kabeer**
CFO	**CEO**	**Chairman**

The accompanying notes (1) to (17) form an integral part of these financial statements

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

		Three-month period ended	
	Note	**31 March 2017 SR'000**	31 March 2016 SR'000
Revenue		**1,919,045**	1,764,882
Cost of revenue and sales		**(628,056)**	(679,334)
Gross profit		**1,290,989**	1,085,548
Distribution and marketing expenses		**(555,703)**	(573,596)
General and administrative expenses		**(70,666)**	(67,148)
Depreciation and amortization		**(391,919)**	(476,831)
Operating profit / (loss)		**272,701**	(32,027)
Finance charges		**(229,266)**	(220,580)
Finance income		**3,071**	5,362
Other charges		**(1,041)**	(2,752)
Net profit / (loss) before Zakat		**45,465**	(249,997)
Zakat	14	**-**	-
Net profit / (loss) for the period		**45,465**	(249,997)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Net fair value change in hedging instruments entered into for cash flow hedges		**(5,282)**	(13,494)
Total comprehensive income / (loss) for the period		**40,183**	(263,491)
Earnings / (Loss) per share (in Saudi Riyals)	9		
Basic		**0.078**	(0.428)
Diluted		**0.078**	(0.428)

Mehdi Khalfaoui
CFO

Peter Kaliaropoulos
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (17) form an integral part of these financial statements

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

Three month period ended 31 March 2016	**Note**	**Share capital SR'000**	**Hedging reserve SR'000**	**Accumulated deficit SR'000**	**Total SR'000**
Balance at 1 January 2016 as previously reported		5,837,292	(7,204)	(1,278,407)	4,551,681
Impact of adoption of International Financial Reporting Standards	17.2	-	-	(17,542)	(17,542)
As restated		5,837,292	(7,204)	(1,295,949)	4,534,139
Total comprehensive loss for the period		-	(13,494)	(249,997)	(263,491)
Balance at 31 March 2016		5,837,292	(20,698)	(1,545,946)	4,270,648
Three month period ended 31 March 2017		**Share capital SR'000**	**Hedging reserve SR'000**	**Accumulated deficit SR'000**	**Total SR'000**
Balance at 1 January 2017 as previously reported		**5,837,292**	**(3,968)**	**(2,258,414)**	**3,574,910**
Impact of adoption of International Financial Reporting Standards	17.9	-	-	**(15,925)**	**(15,925)**
As restated		**5,837,292**	**(3,968)**	**(2,274,339)**	**3,558,985**
Total comprehensive income for the period		-	**(5,282)**	**45,465**	**40,183**
Balance at 31 March 2017		**5,837,292**	**(9,250)**	**(2,228,874)**	**3,599,168**

Mehdi Khalfaoui
CFO

Peter Kaliaropoulos
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (17) form an integral part of these financial statements

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS UNAUDITED
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

	Three-month period ended	
	2017	2016
	SR'000	SR'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit / (loss) for the period	**45,465**	(249,997)
Adjustments to reconcile net loss for the period to net cash from operating activities:		
Provision for doubtful receivables and other assets	**8,665**	10,741
Depreciation and amortization	**391,919**	476,831
Other provisions	**(11,131)**	(254)
Provision for slow moving inventory items	**-**	424
Finance charges	**229,266**	220,580
Loss on currency revaluation	**1,189**	3,310
Provision for employees' end-of-service benefits, net	**213**	993
Operating income before changes in working capital	**665,586**	462,628
Changes in working capital		
Trade and other receivables	**(14,001)**	30,069
Inventories	**2,829**	31,445
Trade and other payables	**(138,132)**	(130,168)
Other assets	**(13,234)**	(107,991)
Deferred revenue	**(12,421)**	(63,974)
Other non-current liabilities	**2,086**	1,900
Cash flows generated from operating activities	**492,713**	223,909
Financial charges paid	**(124,388)**	(136,607)
Net cash generated from operating activities	**368,325**	87,302
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(130,820)**	(93,803)
Proceed from disposal of property and equipment	**240**	595
Purchase of intangible assets	**(3,928)**	(4,661)
Net cash (used in) investing activities	**(134,508)**	(97,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short and Long term borrowing facility	**179,625**	(229,933)
Amounts due to related parties	**102,490**	97,530
Net cash generated from / (used in) financing activities	**282,115**	(132,403)
Net change in cash and cash equivalents	**515,932**	(142,970)
Cash and cash equivalents at beginning of the period	**918,560**	1,378,498
Cash and cash equivalents at end of the period	**1,434,492**	1,235,528

Mehdi Khalfaoui
CFO

Peter Kaliaropoulos
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (17) form an integral part of these financial statements

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS UNAUDITED (Continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

	2017 SR'000	2016 SR'000
Non-cash transactions:		
Adjustment to property and equipment with corresponding effect to accounts payable	**63,911**	176,014
Adjustment to advances from shareholders with corresponding effect to short and long - term borrowing facilities	**35,419**	100,002
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	**5,282**	13,494

Mehdi Khalfaoui
CFO

Peter Kaliaropoulos
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (17) form an integral part of these financial statements

1 ORGANIZATION AND ACTIVITIES

1.1 Mobile Telecommunications Company Saudi Arabia (the "Company" or "Zain KSA"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, delivers, installs, manages and maintains mobile telephone services.

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

Based on the High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016) which was announced by the Capital Market Authority on 01 Muharram 1438 H (corresponding to 02 October 2016) which directed the Communications and Information Technology Commission (CITC) to coordinate with Mobile Telecommunication Company Saudi Arabia (Zain) to:

a. Extend its license for an additional 15-years period, bringing the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (corresponding to 18 January 2047). (Yearly impact will be reduction in amortization charge of license by approximately SR 433 million and reduction in loss by the same amount);
b. Grant the Company a Unified License where it can offer all telecommunication services including fixed services; and
c. Coordinate with the Ministry of Finance to discuss the alternatives regarding the amounts due to the government.

On 23 Jumada first 1438 H (corresponding to 20 February 2017) CITC issued Zain a Unified License to provide all telecommunication services; in line with the High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016).

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

1.2 The Company incurred net profit for the quarter ended 31 March 2017 of SR 45.46 million, after incorporating the positive impacts of the stated High Order and had an accumulated deficit SR 2.23 billion as at this date. The Company’s management believes that what was granted from the High Order, as stated above, will have a positive impact on the Company and it will be successful in meeting its obligations in normal course of operations. The management is in the process of finalizing the business plan which will be presented later to the board for their approval. The directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

1.3 These interim condensed financial statements were approved by the Board of Directors on 11 April 2017.

2 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as endorsed in Saudi Arabia. These financial statements are the first annual financial statements prepared in accordance with IFRS. The Company’s date of transition to IFRS is 01 January 2016. The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied in preparing these financial statements. Refer to note 17 which discloses the impact of adopting IFRS on these interim condensed financial statements.

2 BASIS OF PREPARATION (continued)

Statement of compliance (continued)

The Capital Market Authority (CMA) announced the Board of Commissioners resolution dated 16 October 2016 (corresponding to 15 Muharram 1438H), which obligates the listed entities to apply the cost model to measure the property, plant and equipment, investment properties and intangible assets upon adopting the IFRSs for three years period starting from the IFRSs adoption date, while continuing to abide by the IFRSs, that are endorsed in the Kingdom of Saudi Arabia, disclosure requirements, which require or encourage the disclosure of the fair value within the notes to the financial statements. The Company has complied with the requirements in these financial statements.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the end of service benefits provision, which has been actuarially valued and the measurement of available for sale financial assets as explained in the relevant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Company has used same accounting policy for the year ended 31 December 2016, unless mentioned otherwise

Critical accounting estimates and judgments

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

Application of new and revised International Financial Reporting Standards (IFRS)

The Company has not yet applied the following new and revised IFRSs that have been issued and relevant to the Company but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019

2 BASIS OF PREPARATION (continued)

Application of new and revised International Financial Reporting Standards (IFRS)

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018. IFRS 16 will either be adopted for the annual year beginning 1 January 2018 or 1 January 2019. The application of IFRS 9, IFRS 15 and IFRS 16 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

Telecommunications equipment	5% to 33.3%
IT systems and servers	20% to 33.3%
Furniture, fixtures and office equipment	20%
Vehicles and other transportation equipment	20%

Capital work in progress is not depreciated.

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

Intangible assets

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

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

License fee	2.5%
Computer software	20% to 50%

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Inventories

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

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which have maturities of 90 days or less and are available for use by the Company unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

End of service benefits
The end of service benefits provision, which is a defined benefit plan, is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

The Company presents the first two components of defined benefit costs in profit or loss in the line item "General and administration expenses".

The Company has started using actuarial valuation for employees' end of service benefits obligation from the date of transition to IFRS, on an annual basis.

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

Short-term employee benefits

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

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial instruments** (Continued)*

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated at FVTPL by the Company.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Dividends or interest earned on the financial asset are included in the 'other income / charges' line item in the statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial instruments** (Continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment loss which is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS are stated at fair value at the end of each reporting period with fair value changes recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the AFS is disposed of, the cumulative gain or loss in the investment revaluation reserve is classified to profit or loss. When AFS are considered to be impaired (refer below) the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Reversals of impairment losses for an investment in an equity instrument are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

De-recognition of financial assets

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

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income / charges' line item.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially and subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments *(Continued)*

Derivative financial instruments

The Company uses derivative financial instruments to hedge its interest rate risk on the floating rate Syndicate Murabaha facility. The Company designates these derivatives financial instruments as cash flow hedges in accordance with the approved policies and consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. These derivative financial instruments are measured at fair value. The effective portions of changes in the fair value of derivatives are recognized in hedging reserve under the statement of equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss and other comprehensive income. Gains or losses recognized initially in hedging reserve are transferred to the statement of profit or loss and other comprehensive income in the period in which the hedged item impacts the statement of profit or loss and other comprehensive income.

Revenue recognition

The Company's revenue mainly comprises revenue from mobile telecommunications. Revenue from mobile telecommunications comprises amounts charged to customers in respect of airtime usage, text messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Company's network.

Airtime used by customers is invoiced and recorded as part of a periodic billing cycle and recognized as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each accounting period is accrued and unearned revenue from services to be provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as discount for facilitating the service. The income from provision of content services, is recognized on net basis to record the extent of its own share of income only.

Incentives are provided to customers in various forms as part of a promotional offering. Where such incentives are provided in the context of an arrangement that comprises other deliverables, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognized in line with the Company's performance of its obligations relating to the incentive. In arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Company generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

Zakat

Zakat is calculated and provided for by the Company in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the statement of profit or loss.

Provisions

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

4 PROPERTY, PLANT AND EQUIPMENT

During the period, the Company spent approximately SR 131 million (31 March 2016: SR 94 million) on property, plant and equipment in order to upgrade its mobile network.

5 RELATED PARTY INFORMATION

During the current period, the Company entered into the following trading transactions with related parties:

	Three-month period	
	31 March 2017 SR'000	31 March 2016 SR'000
Revenue from entities owned by a shareholder	**115,958**	106,281
Purchases from entities owned by a shareholder	**77,927**	72,491
Branding fees charged by a shareholder	**13,910**	12,664
Finance charges charged by a shareholder	**69,060**	57,243

The following balances were outstanding at the reporting date:

	31 March 2017 SR'000	31 December 2016 SR'000	01January 2016 SR'000
Amounts due to shareholders	**5,594,599**	5,456,690	4,804,182
Amounts due to entity owned by a shareholder	**23**	23	23
Amounts due from a shareholder	**596**	596	-
Amounts due from entity owned by a shareholder	**85**	85	636

In accordance with the arrangements agreed with the shareholders during 2009, some of the founding shareholders have provided advances to the Company. During 2012, pursuant to all related approvals, the principal amount of these advances were utilized to increase the share capital of the Company. Additionally, a founding shareholder has provided additional loans and made certain payments on behalf of the Company. All advances, loans and amounts due to shareholders carry finance cost that approximate the prevailing market rates.

6 LONG TERM BORROWINGS

	31 March 2017 SR'000	31 December 2016 SR'000
Syndicate Murabaha facility (refer to note 6.1)	**7,690,311**	7,689,334
Export credit facility (refer to note 6.2)	**71,127**	107,658
Industrial and Commercial Bank of China loan (refer to note 6.3)	**2,262,443**	2,262,244
Ministry of Finance (refer to note 6.4)	**2,184,542**	2,020,615
Less: debt arrangement costs	**(65,859)**	(81,492)
	12,142,564	11,998,359
Less: current portion included in current liabilities	**(1,878,844)**	(1,857,269)
	10,263,720	10,141,090

6 LONG TERM BORROWINGS (Continued)

6-1 Syndicated Murabaha facility of approximately SR 9.75 billion was arranged by Banque Saudi Fransi in July 2009. This Murabaha facility consists of a SR portion totaling SR 7.09 billion and a USD portion totaling USD 710 million (equivalent to SR 2.66 billion).

Financing charges as specified under the Murabaha facility are payable in quarterly instalments over the life of the loan. As per the terms of the Murabaha financing agreement the Company exercised its two (2) options to extend the initial maturity date (12 August 2011) for six (6) months each, totaling the renewal of the facility for one (1) full year with the final maturity date is 27 July 2012. Subsequently, the Company has successfully obtained several approvals to extend the facility until 31 July 2013. During 2013, the Company has partially settled an amount of SR 750 million out of the cash proceeds from the rights issue transaction.

On 31 July 2013, the Company has signed an amended and restated "Murabaha financing agreement" with a consortium of banks which also includes existing Murabaha facility investors to extend the maturity date of its Murabaha facility for 5 years ending 30 June 2018 which was due on 31 July 2013. The new facility has been restructured as an amortizing facility, 25% of which will be due during years 4 to 5 of the life of the facility, as mandatory minimum amount due, with 75% due at maturity date. The Company has partially repaid the facility, utilizing a portion of its internal cash resources, and the current outstanding principal stands at SR 8.6 billion, SR portion totaling SR 6.3 billion and USD portion totaling USD 0.6 billion (SR 2.3 billion).

Financing charges as specified under the Murabaha financing agreement are payable in quarterly instalments over 5 years and are based on SIBOR, LIBOR plus agreed margin. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C and pledge of shares of the Company owned by some of the founding shareholders.

Financial and other covenants imposed by the financing banks are:

a. Assignment of certain contracts and receivables;
b. Pledge of insurance contracts and operating accounts;
c. Loans and guarantees restrictions to customers, distributors, dealers, retailers, wholesalers and employees;
d. No further financial indebtedness, pari passu, insurance on all assets; and
e. EBITDA and leverage level.

The Company is complying with the existing loan covenants. In the second quarter of 2015 and the first quarter of 2016, the Company made a prepayment for the amount of SR 121 million and SR 392 million respectively as a mandatory settlement due to its excess free cash flow. On 31 December 2016, the Company paid the first instalment amounting SR 432 million as 5% of the principle.

6 LONG TERM BORROWINGS (Continued)

6-2 On 20 June 2012 an Export Credit Agency facility agreement having two tranches (A and B) totaling to USD 325 million was signed between the Company and some international banks. This facility is secured by a guarantee provided by Mobile Telecommunications Company K.S.C. and subordinated to the Murabaha facility. The purpose of this facility is to:

- repay amounts due to one of the Company's technical vendors; and
- finance further new expansion plans provided by the same technical vendor.

The Company has utilized tranche A (USD 155 million) in full and also utilized USD 98 million out of USD 170 million of tranche B. The remaining unutilized portion of tranche B has been cancelled during the first quarter of 2013.

Financing charges as specified under this facility agreement are payable in semi-annual instalments over the life of the loan and based on LIBOR plus agreed margin. Repayment will take place over five (5) years on a semi-annual basis starting July 2012 for tranche A (totaling USD 155 million) and July 2013 for tranche B (totaling USD 98 million). As at 31 March 2017, all eighteen (31 March 2016: 14) instalments were repaid in full.

6-3 On 15 August 2016 the Company has signed a long-term commercial loan facility agreement amounting to SAR 2.25 Billion with a two years tenor that is extendable by one additional year. The new facility agreement signed with the Industrial and Commercial Bank of China to replace the existing syndicated facility; this new facility will have lower financing cost compared to the existing facilities. Financing charges are based on LIBOR plus agreed margin. The Facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C. (Zain Group).

6-4 In 2013, the Company signed an agreement with the Ministry of Finance, Saudi Arabia to defer payments of its dues to the government for the next seven years, estimated at SAR 5.6 billion. These deferred payments under this agreement bear commercial commission payable annually; based on SIBOR plus agreed margin; while the amount due will be repayable in equal instalments which will commence in June 2021. The amount deferred by the Company as of 31 March 2017 amounted to SR 2,185 million.

7 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	31 March 2017 SR'000	31 December 2016 SR'000
Opening balance (restated)	**75,323**	67,809
Current service cost	**4,366**	15,925
Interest cost	**-**	3,390
Payments	**(4,153)**	(11,648)
Actuarial gain	**-**	(153)
Closing balance	**75,536**	75,323

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

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

Attrition rates	10% to 13%
Salary increases	4%
Discount rate	5%

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

8 SHARE CAPITAL

The Company had 583,729,175 shares of SR10 each in issue as at the reporting date. There were no movements in share capital in the period under review

9 EARNINGS PER SHARE

Basic and diluted earnings / (loss) per share is based on the net profit / (loss) for the period amounting to SR 45.465 million (31 March 2016: Loss for the period amounting to SR 249.997 million) divided by a weighted average number of shares in issue of 583,729,175.

10 DIVIDENDS

No dividends were declared during the period.

11 EVENTS AFTER THE END OF THE REPORTING PERIOD

No events have taken place after the end of the reporting period which require adjustment to, or separate disclosure, in these condensed financial statements.

12 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 1,410 million (31 December 2016: SR 1,565 million) as at the reporting date.

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

13 OPERATING LEASE COMMITMENTS

The Company had operating lease commitments of SR 3,348 million (31 December 2016: SR 3,320 million) as at the reporting date.

14 ZAKAT

Zakat charge for the period

Due to negative zakat base, no zakat has been charged during the period.

Status of assessments

The Company had finalized its zakat and tax status up to 2008 and obtained the related certificate.
The Company had submitted its financial statements along with zakat and returns for the years 2009 to 2016 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), the Company received the Zakat and withholding tax assessments from GAZT for the years 2009 to 2011 whereby they asked to pay an additional amount of SR 619,852,491 of which SR 352,481,222 are related to Zakat differences and SR 267,371,269 as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days. The Zakat and tax advisors believe that there is a valid argument to support the Company's position on appealing such assessment; therefore, during the quarter ended 30 September 2015 the Company filed an appeal within the allowed period of 60 days. During the fourth quarter of 2016, GAZT has referred the matter to Preliminary Appeal Committee with their comments and they have substantially agreed to the view of the Company on the matter of Zakat which should eliminate the exposure completely; whereas on the matters of withholding tax, GAZT has agreed to some extent over certain matters and the none-agreed are still subject to the appeal. Based on external tax advisor, the management is optimistic of favorable outcome of the remaining matters and has the adequate provision to cover the exposure.

15 SEGMENT REPORTING

The Company only has one segment which is mobile phone services and operates in one geographical location, being the Kingdom of Saudi Arabia. Further, no internal reports are generated and disseminated to Chief Operating Decision Maker (CODM) for allocation of resources and assessment of performance which are required for identification of segments. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

16 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

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

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

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

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

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

The carrying values of all the financial assets and liabilities reflected in the financial statements are the reasonable approximation of their fair values.

17 IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

17-1 Effect of IFRS adoption on the Opening Statement of Financial Position as at 01 January 2016

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Opening IFRS statement of financial position SR'000
NON-CURRENT ASSETS				
Property and equipment		5,007,464	-	5,007,464
Intangible assets	a	16,812,756	(351,901)	16,460,855
Other assets	a,b	-	310,036	310,036
Other non-current assets	c	132,102	(132,102)	-
Total non-current assets		**21,952,322**	**(173,967)**	**21,778,355**
CURRENT ASSETS				
Inventories		103,613	-	103,613
Trade and other receivables	b,d	-	2,655,725	2,655,725
Accounts receivable	d	1,092,856	(1,092,856)	-
Prepaid expenses and other assets	d	1,521,004	(1,521,004)	-
Cash and cash equivalents		1,378,498	-	1,378,498
Total current assets		**4,095,971**	**41,865**	**4,137,836**
TOTAL ASSETS		**26,048,293**	**(132,102)**	**25,916,191**

17 IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

17-1 Effect of IFRS adoption on the Opening Statement of Financial Position as at 01 January 2016 (Continued)

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Opening IFRS statement of financial position SR'000
CAPITAL AND RESERVES				
Share capital		5,837,292	-	5,837,292
Hedging reserve		(7,204)	-	(7,204)
Accumulated deficit	17.2	(1,278,407)	(17,542)	(1,295,949)
Total capital and reserves		**4,551,681**	**(17,542)**	**4,534,139**
NON-CURRENT LIABILITIES				
Long-term borrowings	c,e	8,615,727	1,288,606	9,904,333
Advances from shareholders	f	3,966,599	(3,966,599)	-
Amounts due to related parties	f	834,612	3,969,593	4,804,205
Other non-current liabilities	e	1,507,867	(1,355,888)	151,979
Derivative financial instruments		7,204	-	7,204
Provision for employees' end of service benefits	g	66,020	1,789	67,809
Total non-current liabilities		**14,998,029**	**(62,499)**	**14,935,530**
CURRENT LIABILITIES				
Trade and other payables	i,j	-	3,259,503	3,259,503
Current portion of borrowings	j,k	2,450,005	5,070	2,455,075
Notes payable	i	329,541	(329,541)	-
Accounts payable	i	286,040	(286,040)	-
Due to related parties	i	2,994	(2,994)	-
Deferred revenue		731,944	-	731,944
Accrued expenses and other liabilities	i.j	2,698,059	(2,698,059)	-
Total current liabilities		**6,498,583**	**(52,061)**	**6,446,522**
TOTAL EQUITY AND LIABILITIES		**26,048,293**	**(132,102)**	**25,916,191**

17 IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

17-2 Reconciliation of equity as at 1 January 2016

	Note	As at 1 Jan 2016 SR’000
Total equity under SOCPA		**4,551,681**
Actuarial value of end of service benefits	g	(1,789)
Measurement of debt arrangement costs	c	(15,753)
Total adjustment to equity		**(17,542)**
Total equity under IFRS		**4,534,139**

17-3 Effect of IFRS adoption on the statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2016

	Note	Amounts previously reported (SOCPA) SR’000	Effect of transition to IFRS SR’000	Profit or loss for IFRS SR’000
Revenue		1,764,882	-	1,764,882
Cost of revenue and sales		(679,334)	-	(679,334)
Gross profit		1,085,548	-	1,085,548
Distribution and marketing expenses		(573,596)	-	(573,596)
General and administrative expenses		(67,148)	-	(67,148)
Depreciation and amortization		(476,831)	-	(476,831)
Operating profit / (loss)		(32,027)	-	(32,027)
Finance charges	c,h	(223,587)	3,007	(220,580)
Finance income	h	5,920	(558)	5,362
Other charges	h	-	(2,752)	(2,752)
Net loss before Zakat		(249,694)	(303)	(249,997)
Zakat		-	-	-
Net loss for the period		(249,694)	(303)	(249,997)
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss:				
Net fair value change in hedging instruments entered into for cash flow hedges	n	-	(13,494)	(13,494)
Total comprehensive loss for the year		**(249,694)**	**(13,797)**	**(263,491)**

17 IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

17-4 Effect of IFRS adoption on the Statement of Financial Position as at 31 March 2016

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Opening IFRS statement of financial position SR'000
NON-CURRENT ASSETS				
Property and equipment		5,061,459	-	5,061,459
Intangible assets	a	16,663,047	(445,467)	16,217,580
Other assets	a,b	-	404,955	404,955
Other non-current assets	c	118,128	(118,128)	-
Total non-current assets		**21,842,634**	**(158,640)**	**21,683,994**
CURRENT ASSETS				
Inventories		71,745	-	71,745
Trade and other receivables	b,d	-	2,614,915	2,614,915
Accounts receivable	d	1,179,909	(1,179,909)	-
Prepaid expenses and other assets	d	1,394,494	(1,394,494)	-
Cash and cash equivalents		1,235,528	-	1,235,528
Total current assets		**3,881,676**	**40,512**	**3,922,188**
TOTAL ASSETS		**25,724,310**	**(118,128)**	**25,606,182**
CAPITAL AND RESERVES				
Share capital		5,837,292	-	5,837,292
Hedging reserve		(20,698)	-	(20,698)
Accumulated deficit	17.5	(1,528,101)	(17,845)	(1,545,946)
Total capital and reserves		**4,288,493**	**(17,845)**	**4,270,648**
Long-term borrowings	c,e	8,188,099	1,441,885	9,629,984
Advances from shareholders	f	4,151,466	(4,151,466)	-
Amounts due to related parties	f	847,276	4,154,461	5,001,737
Other non-current liabilities	e	1,650,363	(1,496,484)	153,879
Derivative financial instruments		20,698	-	20,698
Provision for employees' end of service	g	67,013	1,789	68,802
Total non-current liabilities		**14,924,915**	**(49,815)**	**14,875,100**

17 IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

17-4 Effect of IFRS adoption on the Statement of Financial Position as at 31 March 2016 (continued)

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Opening IFRS statement of financial position SR'000
CURRENT LIABILITIES				
Trade and other payables	i,j	-	3,392,672	3,392,672
Current portion of long-term borrowings	j,k	2,385,421	14,371	2,399,792
Notes payable	i	207,300	(207,300)	-
Accounts payable	i	307,580	(307,580)	-
Due to related parties	i	2,995	(2,995)	-
Deferred revenue		667,970	-	667,970
Accrued expenses and other liabilities	i,j	2,939,636	(2,939,636)	-
Total current liabilities		**6,510,902**	**(50,468)**	**6,460,434**
TOTAL EQUITY AND LIABILITIES		**25,724,310**	**(118,128)**	**25,606,182**

17-5 Reconciliation of equity as at 31 March 2016

	Note	As at 31 March 2016 SR'000
Total equity under SOCPA		**4,288,493**
Actuarial value of end of service benefits	g	(1,789)
Measurement of debt arrangement costs	c	(16,056)
Total adjustment to equity		**(17,845)**
Total equity under IFRS		**4,270,648**

17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

17-6 Effect of IFRS adoption on the statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Income for IFRS SR'000
Revenue		6,926,652	-	6,926,652
Cost of sales		(2,525,984)	-	(2,525,984)
Gross profit		4,400,668	-	4,400,668
Distribution and marketing expenses		(2,365,900)	-	(2,365,900)
General and administrative expenses	g	(239,769)	427	(239,342)
Depreciation and amortization		(1,849,858)	-	(1,849,858)
Operating profit / (loss)		(54,859)	427	(54,432)
Finance charges	c,h	(953,013)	(2,769)	(955,782)
Finance income	h	27,865	(807)	27,058
Other income	h	-	4,613	4,613
Net loss before Zakat		(980,007)	1,464	(978,543)
Zakat		-	-	-
Net loss for the year		(980,007)	1,464	(978,543)
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of end of service benefit liability	l	-	153	153
Net fair value change in hedging instruments entered into for cash flow hedges	n	-	3,236	3,236
Total comprehensive loss for the year		**(980,007)**	**4,853**	**(975,154)**

17-7 Reconciliation of loss for the year ended 31 December 2016

	Note	Losses before Zakat SR'000	Losses for the year SR'000
Loss for the year reported under SOCPA		**(980,007)**	**(980,007)**
Actuarial value of end of service benefits	g	427	427
Measurement of debt arrangement costs	c	1,037	1,037
Loss for the year under IFRS		**(978,543)**	**(978,543)**
Other comprehensive income	l,n		3,389
Total comprehensive loss for the period under IFRS			**(975,154)**

17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

17-8 Effect of IFRS adoption on the Statement of Financial Position as at 31 December 2016

	Note	Amounts previously reported (SOCPA) SR’000	Effect of transition to IFRS SR’000	Opening IFRS statement of financial
NON-CURRENT ASSETS				
Property and equipment		7,005,995	-	7,005,995
Intangible assets	a	16,196,261	(576,062)	15,620,199
Other assets	a,b	-	532,181	532,181
Other non-current assets	c	96,208	(96,208)	-
Total non-current assets		**23,298,464**	**(140,089)**	**23,158,375**
CURRENT ASSETS				
Inventories		42,101	-	42,101
Trade and other receivables	b,d	-	2,395,681	2,395,681
Accounts receivable	d	1,108,563	(1,108,563)	-
Prepaid expenses and other assets	d	1,243,237	(1,243,237)	-
Cash and cash equivalents		918,560	-	918,560
Total current assets		**3,312,461**	**43,881**	**3,356,342**
TOTAL ASSETS		**26,610,925**	**(96,208)**	**26,514,717**
CAPITAL AND RESERVES				
Share capital		5,837,292	-	5,837,292
Hedging reserve		(3,968)	-	(3,968)
Accumulated deficit	17.9	(2,258,414)	(15,925)	(2,274,339)
Total capital and reserves		**3,574,910**	**(15,925)**	**3,558,985**
Long-term borrowings	c,e	8,244,987	1,896,103	10,141,090
Advances from shareholders	f	4,569,147	(4,569,147)	-
Amounts due to related parties	f	884,572	4,572,141	5,456,713
Other non-current liabilities	e	2,619,324	(1,922,531)	696,793
Derivative financial instruments		3,968	-	3,968
Provision for employees’ end of service benefits	g,l	74,114	1,209	75,323
Total non-current liabilities		**16,396,112**	**(22,225)**	**16,373,887**

17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

17-8 Effect of IFRS adoption on the Statement of Financial Position as at 31 December 2016 (continued)

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Opening IFRS statement of financial position SR'000
CURRENT LIABILITIES				
Trade and other payables	i,j	-	4,195,913	4,195,913
Current portion of long-term borrowings	j,k	1,796,992	60,277	1,857,269
Notes payable	i	450,195	(450,195)	-
Accounts payable	i	713,760	(713,760)	-
Due to related parties	i	2,994	(2,994)	-
Deferred revenue		528,663	-	528,663
Accrued expenses and other liabilities	i,j	3,147,299	(3,147,299)	-
Total current liabilities		**6,639,903**	**(58,058)**	**6,581,845**
TOTAL EQUITY AND LIABILITIES		**26,610,925**	**(96,208)**	**26,514,717**

17-9 Reconciliation of equity as at 31 December 2016

	Note	As at 31 December 2016 SR'000
Total equity under SOCPA		**3,574,910**
Actuarial value of end of service benefits	g,l	(1,209)
Measurement of debt arrangement costs	c	(14,716)
Total adjustment to equity		**(15,925)**
Total equity under IFRS		**3,558,985**

17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

17-10 Effect of IFRS adoption on the Statement of Cash Flows for the period ended 31 March 2016

	Note	Amounts previously reported (SOCPA) SR'000	Effect of transition to IFRS SR'000	Amounts reported under IFRS SR'000
Net cash flows from operating activities	m	549,720	(462,418)	87,302
Net cash flows from investing activities	m	(205,861)	107,992	(97,869)
Net cash flows from financing activities	m	(486,829)	354,426	(132,403)
Net decrease in cash and cash equivalents		**(142,970)**	**-**	**(142,970)**
Cash and cash equivalents at the beginning of the year		1,378,498	-	1,378,498
Cash and cash equivalents at the end of the period		**1,235,528**	**-**	**1,235,528**

17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

17-11 Notes to the reconciliations

a) Reclassification of right of use assets, which represents prepaid operating lease payments, to other assets as these assets did not meet the definition of an intangible asset contained within IAS 38 Intangible Assets.
b) Reclassification of current portion of right of use assets, as detailed in point (a) to current assets.
c) Reallocation of debt arrangement costs to long-term borrowings in order to comply with IAS 39 Financial Instruments: Recognition and Measurement. IAS 39 also requires that debt arrangement costs be accounted for using the effective interest rate method. The Company previously amortized these amounts on a straight line basis. The effect of this change is a decrease in equity of SR 15,753,000 and SR 14,716,404 as at 31 December 2015 and 31 December 2016 respectively. The effect on profit or loss for quarter ended 31 March 2016 is SR 303,000 and for the year ended 31 December 2016 is SR 1,037,000.
d) Reallocation of Accounts receivable and Prepaid expenses and other assets to trade and other receivables in order to comply with the presentation requirements contained within IAS 1 Presentation of Financial Statements.
e) Reallocation of borrowings included in Other non-current liabilities to Long-term borrowings in order to comply with the presentation requirements contained within IAS 1 Presentation of Financial Statements.
f) Reallocation of Advances from Shareholders and current portion of due to related parties to Amounts due to related parties in the non-current liabilities in order to comply with the presentation requirements contained within IAS 1 Presentation of Financial Statements.
g) The End of Service Benefit liability is a defined post-employment benefit liability. IAS 19 Employee Benefits requires that liabilities of this nature be actuarially valued. The effect of this change is a decrease in equity of SR 1,789,000 and SR 1,209,000 as at 31 December 2015 and 31 December 2016 respectively. The effect on profit or loss for the year ended 31 December 2016 is SR 427,000.
h) Reallocation of foreign exchange gains / loss on disposal of property and equipment from finance charges to other income in order to comply with the presentation requirements contained within IAS 1 Presentation of Financial Statements.
i) Reallocation of Notes payable, Accounts payable and Accrued expenses and other liabilities to Trade and other payables in order to comply with the presentation requirements contained within IAS 1 Presentation of Financial Statements.
j) Reallocation of accrued finance charges relating to long-term borrowings from Accrued expenses and other liabilities to current portion of long-term borrowings.
k) Reallocation of current portion of debt arrangement costs as detailed in point c) to current portion of long-term borrowings.
l) Actuarial gain related to the end of service benefit liability which is recorded as part of other comprehensive income in accordance with IAS 19 Employee Benefits.
m) Reclassification of purchase of right use assets from investing to operating activities and Other non-current liabilities from operating to financing.
n) Net fair value gain on hedging instruments entered into for cash flow hedges is recorded as part of other comprehensive income in accordance with IAS 39 Financial Instruments: Recognition and Measurement.
o) The Company has changed name of balance sheet to statement of financial position and statement of income to statement of profit or loss and other comprehensive income to meet the requirements of IAS 1.

17-12 The Company has not availed any mandatory and short term exemptions given in IFRS 1 ‘First Time Adoption of International Financial Reporting Standards’.