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

FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mobile Telecommunications Company Saudi Arabia ("the Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements taken as a whole:

- present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed in Kingdom of Saudi Arabia by Saudi Organization for Certified Public Accountants (SOCPA) and other standards and pronouncements endorsed by SOCPA; and

- comply with the applicable requirements of the Regulations for Companies and by-laws of the Company in so far as they affect the preparation and presentation of the financial statements.

Basis for Opinion

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

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Key Audit Matters (KAMs)

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

1. Revenue recognition

We have considered revenue to be a key audit matter since revenue is a key business driver for the Company, there is a presumed risk of fraud related to revenue recognition as per the International Standards on Auditing, as endorsed in Kingdom of Saudi Arabia, the Company offers various types of products including multiple arrangements, voluminous transactions are carried out on a daily basis and revenue is recognized through automated systems.

We designed our audit procedures to address this KAM by performing first risk assessment procedures, which included identification of risks and related assertions by understanding the Company and its environment, documenting and evaluating accounting system for revenue covering activities, processes and internal controls relevant to revenue, performance of walkthorughs and tests of key controls to ensure design, implementation and operating effectiveness of internal controls. Analytical procedures were also performed. Our internal IT specialist was also involved to understand and evaluate the IT system related to revenue and check reliability of data and reports generated through the IT systems. Thereafter, our audit procedures were designed according to the results of risk assessment procedures. We verified, on a test basis, invoices issued by the Company, reviewed key reconciliations performed by the Company's Revenue Assurance Team, performed detailed analytical procedures to understand that reasons for variance in revenue from last year have a business rationale, performed procedures to ensure that revenue recognition criteria adopted by the Company for all major revenue streams is appropriate and in line with the Company's accounting policies disclosed in financial statements.

The Company's revenue streams recognized in the financial statements are disclosed in Note 18 to the financial statements. The Company's accounting policies for revenue recognition are disclosed in Note 3 to the financial statements.

2. Automated systems and controls

An important part of the Company's financial processes is highly dependent on its information technology (IT) systems with automated controls over these systems. Information technology environment support various business processes, including billing systems, and the mix of manual and automated controls, therefore that was considered as a key audit matter for us.

Key Audit Matters (KAMs) (Continue)

2. Automated systems and controls (Continue)

We evaluated the design and tested the operating effectiveness of the controls in systems relevant to financial reporting. We have also tested IT general controls.

Additionally, we utilized data technology to extract and analyze the population of journals and tested manual journals as part of our work on possible management override of controls, evaluated user access controls around the relevant applications, tested user access rights to specific menus and transactions within the relevant applications.

3. Property and equipment and intangible assets

The Company has significant balance of property and equipment (SR 6.53 billion) and intangible assets (SR 15.12 billion) as at 31 December 2017. There are number of areas where management judgment impacts carrying value of property and equipment and intangibles which includes decision to capitalize or expense costs, annual review of assets' useful lives (depreciation and amortization period) and timely transfer from capital work in progress to completed assets. Further, the management is currently carrying out a project reload which will substantially enhance efficiency of service provision by the Company. The Company was also granted a Unified Service License by Communications and Information Technology Commission (CITC) and life of its existing license was also extended. Due to these, we considered property and equipment and intangible assets as a key audit matters.

Our audit procedures included assessment of design and operating effectiveness of internal controls over property and equipment and intangible asset accounting cycles, evaluating the appropriateness of capitalization policies, performing detailed verification, on test basis, on costs capitalized, checking timely transfer of assets from capital work in progress to completed assets, and checking calculation of depreciation and amortization for the year. In performing these procedures, we also discussed with management their judgments over nature of underlying costs to capitalize and appropriateness of useful lives.

Property and equipment and intangible assets are disclosed in note 6 and 7 respectively to the financial statements. The Company's accounting policies for property and equipment and intangibles assets are disclosed in Note 3 to the financial statements.

4. Adoption of International Financial Reporting Standards (IFRSs)

Effective from 01 January 2017 all listed companies in Kingdom of Saudi Arabia were required to adopt IFRSs in place of accounting standards issued by SOCPA. Accordingly, the Company also adopted IFRSs for the first time to ensure compliance of the requirements. Since this involved change of financial reporting framework, it was considered a KAM by us.

Key Audit Matters (KAMs) (Continue)

4. Adoption of International Financial Reporting Standards (IFRSs) (Continue)

The Company appointed a consultant for transition to IFRSs who carried out a detailed exercise to identify changes in accounting policies and treatments, presentation and disclosures in financial statements. The consultant issued a report and we had a meeting with the consultant to give our comments on the report on IFRSs transition. We also checked the Company's compliance with the IFRSs requirements in terms of accounting policies, accounting treatments, presentation and disclosure specially the requirements of IFRS 1 'First-Time Adoption of International Financial Reporting Standards'.

The impacts of transition to IFRSs on the Company's financial statements are disclosed in note 36 to the financial statements.

Other information included in the Company's Annual Report

Other information consists of the information included in the Company's 2017 annual report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements (Continue)

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern;

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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, 6 Jumada Alawal 1439h
Corresponding to 23 January, 2018

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 SR'000	2016 SR'000 (restated)	01 Jan 2016 SR'000 (restated)
ASSETS				
Non-current assets				
Property and equipment	6	**6,530,036**	7,005,995	5,007,464
Intangible assets	7	**15,122,472**	15,620,199	16,460,855
Other assets		**531,122**	532,181	310,036
Total non-current assets		**22,183,630**	23,158,375	21,778,355
Current assets				
Inventories	8	**103,959**	42,101	103,613
Trade and other receivables	9	**2,536,730**	2,395,681	2,655,725
Cash and cash equivalents	10	**1,115,809**	918,560	1,378,498
Total current assets		**3,756,498**	3,356,342	4,137,836
TOTAL ASSETS		**25,940,128**	26,514,717	25,916,191
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	11	**5,837,292**	5,837,292	5,837,292
Hedging reserve	12	**(2,613)**	(3,968)	(7,204)
Other reserves		**(8,165)**	153	-
Accumulated deficit		**(2,262,953)**	(2,274,492)	(1,295,949)
Total capital and reserves		**3,563,561**	3,558,985	4,534,139
Non-current liabilities				
Long-term borrowings	13	**4,681,151**	10,141,090	9,904,333
Amounts due to related parties	14	**5,943,125**	5,456,713	4,804,205
Other non-current liabilities		**167,381**	696,793	151,979
Derivative financial instruments	12	**2,613**	3,968	7,204
Provision for employees' end of service benefits	15	**94,167**	75,323	67,809
Total non-current liabilities		**10,888,437**	16,373,887	14,935,530
Current liabilities				
Trade and other payables	16	**4,865,537**	4,195,913	3,259,503
Current portion of long-term borrowings	13	**6,169,722**	1,857,269	2,455,075
Deferred revenue		**452,871**	528,663	731,944
Total current liabilities		**11,488,130**	6,581,845	6,446,522
TOTAL EQUITY AND LIABILITIES		**25,940,128**	26,514,717	25,916,191

Mehdi Khalfaoui
CFO

Peter Kaliaropoulos
CEO

Bader Nasser Al Kharafi
Vice Chairman

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017 SR'000**	2016 SR'000 (restated)
Revenue	18	**7,305,822**	6,926,652
Cost of revenue and sales	19	**(2,392,804)**	(2,525,984)
Gross profit		**4,913,018**	4,400,668
Distribution and marketing expenses	20	**(2,185,148)**	(2,365,900)
General and administrative expenses	21	**(210,684)**	(239,342)
Depreciation and amortization	6-7	**(1,613,944)**	(1,849,858)
Net profit /(loss) before net finance income and Zakat		**903,242**	(54,432)
Finance charges	22	**(910,093)**	(955,782)
Other income	23	**1,785**	4,613
Finance income	24	**16,605**	27,058
Net profit /(loss) before Zakat		**11,539**	(978,543)
Zakat	25	**-**	-
Net profit /(loss) for the year		**11,539**	(978,543)
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of end of service benefit liability		**(8,318)**	153
Item that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments entered into for cash flow hedges	12	**1,355**	3,236
Total comprehensive income /(loss) for the year		**4,576**	(975,154)
Earnings /(loss) per share (in Saudi Riyals)	27		
Basic		**0.020**	(1.676)
Diluted		**0.020**	(1.676)

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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share capital SR'000	Hedging reserve SR'000	Other reserves SR'000	Accumulated deficit SR'000	Total SR'000
Balance at 1 January 2017 as previously reported		**5,837,292**	**(3,968)**	**153**	**(2,258,567)**	**3,574,910**
Impact of adoption of International Financial Reporting Standards	36.6	-	-	-	**(15,925)**	**(15,925)**
As restated		**5,837,292**	**(3,968)**	**153**	**(2,274,492)**	**3,558,985**
Total comprehensive income for the year		-	**1,355**	**(8,318)**	**11,539**	**4,576**
Balance at 31 December 2017		**5,837,292**	**(2,613)**	**(8,165)**	**(2,262,953)**	**3,563,561**
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	36.2	-	-	-	(17,542)	(17,542)
As restated		5,837,292	(7,204)	-	(1,295,949)	4,534,139
Total comprehensive loss for the year		-	3,236	153	(978,543)	(975,154)
Balance at 31 December 2016		5,837,292	(3,968)	153	(2,274,492)	3,558,985

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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 SR'000	2016 SR'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the year		**11,539**	(978,543)
Adjustments to reconcile net loss for the period to net cash from operating activities:			
Provision for doubtful receivables and other assets	9	**59,910**	42,336
Depreciation and amortization	6-7	**1,613,944**	1,849,858
Other provisions		**15,762**	(32,079)
Provision for slow moving inventory items	8	**-**	(10,941)
Finance charges		**910,093**	955,782
Currency revaluation (loss) / gain		**7,497**	(3,806)
Net provision for employees' end-of-service benefits		**10,526**	7,667
Operating income before changes in working capital		**2,629,271**	1,830,274
Changes in working capital			
Trade and other receivables		**(200,960)**	217,709
Inventories		**(61,858)**	72,453
Trade and other payables		**1,157,706**	(409,988)
Other assets		**(71,393)**	(284,485)
Deferred revenue		**(75,792)**	(203,280)
Other non-current liabilities		**(529,412)**	544,814
Cash flows generated from operating activities		**2,847,562**	1,767,497
Financial charges paid		**(482,508)**	(536,116)
Net cash generated from operating activities		**2,365,054**	1,231,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(1,553,782)**	(2,005,718)
Proceed from disposal of property and equipment	7	**(450)**	(529)
Purchase of intangible assets		**47,500**	23,469
Net cash (used in) investing activities		**(1,506,732)**	(1,982,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Current and non-current portion of borrowing facility	13	**(1,076,647)**	(161,044)
Amounts due to related parties	14	**415,574**	452,503
Net cash (used in) /generated from financing activities		**(661,073)**	291,459
Net change in cash and cash equivalents		**197,249**	(459,938)
Cash and cash equivalents at beginning of the year	10	**918,560**	1,378,498
Cash and cash equivalents at end of the year		**1,115,809**	918,560

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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017 SR'000**	2016 SR'000
Non-cash transactions:			
Adjustment to property and equipment with corresponding effect to accounts payable		**1,045,643**	905,199
Adjustment to advances from shareholders with corresponding effect to current portion of borrowing facilities		**70,838**	200,005
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	12	**1,355**	3,236

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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.

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

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 KSA) 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 KSA 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).

On 12 Ramadan 1438 H (corresponding to 7 June 2017) the Company acquired 10MHz of 1800MHz spectrum; at a total cost of SR 844 million where 30% will be due in 2017 and the remaining over 10 years; which will be effective in January 2018.
The Company made the first advance payment of 30% amounting to SR 253.8 million during third quarter 2017.

1.2 The Company incurred net profit for the year ended 31 December 2017 of SR 11.5 million, after incorporating the positive impacts of the stated High Order, and had an accumulated deficit of SR 2.26 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 finalized the business plan which was approved by the Board of Directors. The Company has appointed a consultant and has prepared a lender case which was shared with the banks with view to refinance the loans. 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 ORGANIZATION AND ACTIVITIES (continued)

1.3 The Board of Directors, in their meeting held on October 24, 2017, recommended to restructure the share capital of the Company by reducing it from SR 5,837,291,750 to SR 3,616,110,783 and the total number of shares from 583,729,175 shares to 361,611,078 shares by cancellation of 222,118,097 shares. the purpose of such capital reduction is to absorb the accumulated losses of the Company as at June 30, 2017. Further, the Board has recommended to increase the share capital by SR 6,000,000,000 through the issuance of 600,000,000 new shares (rights issue) which will increase its capital from SAR 3,616,110,783 to SAR 9,616,110,783 and will result in the injection of additional fresh cash which will be used to reduce the Company's debt. The recommendation of the Board is subject to the approval of the relevant authorities including the Capital Market Authority and the relevant extraordinary general assemblies.

1.4 These financial statements were approved by the Board of Directors on 23 January 2018

Refinancing Arrangements

On 31 July 2013 the Company has signed an amended and restated "Murhabaha financing Agreement" which also includes some of the Existing Murabaha Facility Investors. As per the terms of the new agreement the Company has settled a portion of the existing facility amounting to SR 369 million from its internal cash resources to reduce the outstanding principle from SR 9 billion to SR 8.63 billion. With the signing of the new agreement the Company has successfully extended the maturity date of its Existing Murabaha facility for 5 years ending 30 June 2018 which was due on 31 July 2013.

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. On 22 June 2017, the Company paid the second instalment amounting SR 432 million as 5% of the principle. On 28 December 2017, the Company paid the third instalment amounting SR 1,295 million as 15% of the principle.

(Also refer to Note 13-1).

On 2 June 2016 the Company has renewed its long-term Commercial loan facility agreement amounting SR 2.25 billion with a two years tenor that is extendable by one additional year. The loan is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C. The principal amount will be repaid in one bullet payment at the maturity date.

(Also refer to Note 13).

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, the Facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C.
On 7 December 2017 the Company obtained a preliminary approval to extend the final maturity date to 9 August 2019.

(Also refer to Note 13.3).

1 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). These financial statements are the first annual financial statements prepared in accordance with IFRS. The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied in preparing these financial statements. (Refer to note 36) which discloses the impact of adopting IFRS in these financial statements. The date of transition from SOCPA to IFRS is 01 January 2016.

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

These 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 policies which were used for the year ended 31 December 2016, unless mentioned otherwise.

Critical accounting estimates and judgments

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

Functional and presentation currency

Saudi Riyal is the functional currency. These Financial Statements are presented in Saudi Riyals (SR), rounded off to the nearest thousand.

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%
Leasehold Improvement	20%
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)

Property and equipment (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 IFRSs, 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 the Company 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 assets 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 assets is disposed of, the cumulative gain or loss in the investment revaluation reserve is classified to profit or loss. When AFS assets 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 equipment sales 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.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.
Government grants related to the property and equipment are recorded as a deduction from the cost of the assets in arriving at the respective carrying amount. Any additional amount received is recorded as deferred grant and adjusted against recorded capital expenditure on assets.
Grant related to income (reimbursement of expenses) are adjusted against the related expenses.

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 zakat 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.

Indefeasible Rights of Use ("IRU")

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

4 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 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

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
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

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 16 *Leases*	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets between an investor and its associate or joint venture.	Effective date deferred indefinitely
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealized losses	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary	
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

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 be adopted for the annual year beginning 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. The Company has appointed a consultant and it is, now, not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.1 Critical accounting judgments in applying accounting policies

The Company has not made any critical accounting judgment in applying accounting policies.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the accounts receivable are impaired. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due.

At the reporting date, gross trade receivables were SR 1,954 million with SR 625.7 million being provided for. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

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

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

Provision for employees’ end of service benefits

The Company makes various estimates in determining the provision for employees’ end of service benefits provision. These estimates are disclosed in note 15.

6. PROPERTY AND EQUIPMENT

	January 1, 2017 SR'000	Additions SR'000	Disposals/ Transfers SR'000	December 31, 2017 SR'000
Cost				
Leasehold improvements	345,547	8,626	8,918	363,091
Telecommunications equipment	10,885,539	699,709	164,010	11,749,258
IT systems and servers	562,095	24,768	11,276	598,139
Furniture, fixtures and office equipment	160,998	15,041	-	176,039
Vehicles and other transportation equipment	3,778	73	-	3,851
Capital work in progress	830,033	(209,985)	(213,847)	406,201
	12,787,990	538,232	(29,643)	13,296,579
Accumulated depreciation				
Leasehold improvements	273,648	25,011	-	298,659
Telecommunications equipment	4,928,444	921,531	(27,703)	5,822,272
IT systems and servers	467,227	46,149	(24)	513,352
Furniture, fixtures and office equipment	108,906	19,576	-	128,482
Vehicles and other transportation equipment	3,770	8	-	3,778
	5,781,995	1,012,275	(27,727)	6,766,543
Carrying Amount	7,005,995			6,530,036

6. PROPERTY AND EQUIPMENT (continued)

	January 1, 2016 SR'000	Additions SR'000	Disposals/ Transfers SR'000	December 31, 2016 SR'000
Cost				
Leasehold improvements	317,847	14,639	13,061	345,547
Telecommunications equipment	8,607,428	2,164,416	113,695	10,885,539
IT systems and servers	521,282	19,443	21,370	562,095
Furniture, fixtures and office equipment	132,906	28,109	(17)	160,998
Vehicles and other transportation equipment	3,770	8	-	3,778
Capital work in progress	293,312	714,351	(177,630)	830,033
	9,876,545	2,940,966	(29,521)	12,787,990
Accumulated depreciation				
Leasehold improvements	241,192	32,456	-	273,648
Telecommunications equipment	4,111,525	837,224	(20,305)	4,928,444
IT systems and servers	420,914	46,313	-	467,227
Furniture, fixtures and office equipment	91,680	17,250	(24)	108,906
Vehicles and other transportation equipment	3,770	-	-	3,770
	4,869,081	933,243	(20,329)	5,781,995
Carrying Amount	5,007,464			7,005,995

7. INTANGIBLE ASSETS

	January 1, 2017 SR'000	Additions SR'000	Disposals/ Transfers SR'000	December 31, 2017 SR'000
Cost				
License fee*	**23,364,230**	**-**	**-**	**23,364,230**
Computer software licenses	**303,176**	**58,031**	**1,186**	**362,393**
Brand	**7,500**	**-**	**-**	**7,500**
	23,674,906	**58,031**	**1,186**	**23,734,123**
Accumulated amortization				
License fee*	**7,824,729**	**517,120**	**-**	**8,341,849**
Computer software licenses	**229,978**	**39,824**	**-**	**269,802**
	8,054,707	**556,944**	**-**	**8,611,651**
Carrying Amount	**15,620,199**			**15,122,472**

7. INTANGIBLE ASSETS(continued)

	January 1, 2016 SR'000	Additions SR'000	Disposals/ Transfers SR'000	December 31, 2016 SR'000
Cost				
License fee*	23,359,180	5,050	-	23,364,230
Computer software licenses	281,778	15,761	5,637	303,176
Brand	-	7,500	-	7,500
	23,640,958	28,311	5,637	23,674,906
Accumulated amortization				
License fee*	6,981,740	842,989	-	7,824,729
Computer software licenses	198,363	31,615	-	229,978
	7,180,103	874,604	-	8,054,707
Carrying Amount	16,460,855			15,620,199

7-1 License fee

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

The High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016), which was announced by the Capital Market Authority on 01 Muharram 1438 H (corresponding to 02 October 2016), directed the Communications and Information Technology Commission (CITC) to coordinate with Mobile Telecommunication Company Saudi Arabia (Zain) to extend its license for an additional 15 years period. This extended the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (corresponding to 18 January 2047).

8. INVENTORIES

	2017 **SR'000**	2016 SR'000
Handsets and accessories	**122,379**	55,850
Sim cards	**3,653**	7,290
Prepaid recharge cards	**1,239**	2,089
Other inventories	**1,369**	1,553
	128,640	66,782
Less: Allowance for slow moving items	**(24,681)**	(24,681)
	103,959	42,101
Cost of inventories recognized as an expense	**286,383**	243,700

9. TRADE AND OTHER RECEIVABLES

	2017 **SR'000**	2016 SR'000
Trade receivables	**1,954,047**	1,674,426
Less: allowance for doubtful debts	**(625,773)**	(565,863)
Net trade receivables	**1,328,274**	1,108,563
Advances to suppliers and refundable deposits (refer note 9.1)	**818,536**	860,876
Prepayments	**281,397**	292,692
Advances for transmission lines and fiber links	**59,152**	61,635
Other receivables	**49,371**	71,915
	2,536,730	2,395,681
Other non- current assets (refer to note 9-2)	**531,122**	532,181

Trade receivables

The average credit period on sales of goods and services is 30 days. No interest is charged on trade receivables. The Company recognizes an allowance for doubtful debts based on the ageing of its overdue debtors which increases as the debtors become more overdue as historical experience indicates that the likelihood of amounts being recoverable decreases the more the amount is overdue.

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

Two of the company's debtors comprise 37% of the total trade receivables balance. There are no other customers who comprise more than 10% of the total trade receivables balance.

9. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables totaling SR 93.9 million (2016: SR 58.7 million) existed at the reporting date which were past due which had not been provided for, as per the policy, the amounts are still considered to be recoverable and there has not been a significant decrease in credit quality since credit was initially granted.

Age of overdue trade receivables not provided for

	2017	2016
	SR'000	SR'000
60 to 90 days	**16,691**	22,439
120 to 180 days	**37,667**	17,332
180 to 360 days	**39,622**	18,972
	93,980	58,743

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

Movement in the allowance for doubtful debts

	2017	2016
	SR'000	SR'000
Opening balance	**565,863**	523,528
Charged for the year	**63,504**	43,860
Amounts reversed during the year	**(3,594)**	(1,525)
Closing balance	**625,773**	565,863

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

Age of impaired trade receivables

	2017	2016
	SR'000	SR'000
60 to 90 days	**1,855**	2,493
120 to 180 days	**9,417**	4,333
180 to 360 days	**21,335**	10,216
Over 360 days	**593,166**	548,821
Total impaired trade receivables	**625,773**	565,863

9-1 Advances to suppliers and refundable deposits

This includes advances amounting to SR 635 million (SR 253.8 million spectrum advance payment) provided by the Company during 2017 (2016: SR 379 million) to various suppliers under agreements signed by the Company. These agreements are for telecommunications infrastructure supply that will increase network coverage and enhance the quality of mobile telecommunications services provided by the Company

9-2 Other non-current assets

This amount related to the non-current portion of rights of use.

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10. CASH AND CASH EQUIVALENTS

	2017 SR'000	2016 SR'000
Cash on hand	**191**	110
Cash at banks	**455,618**	368,450
Time deposits	**660,000**	550,000
	1,115,809	918,560

10-1 The Company invests part of the surplus cash in time deposits with maturity period of three month or less with local commercial banks. The annual commission Average rates on these deposits during 2017 were 0.93 % (2016: 2.24%). The total commission earned by the Company during 2017 was SR 16.6 million (2016: SR 27.06 million).

11. SHARE CAPITAL

The share capital of the Company as at 31 December 2017 comprised 583,729,175 shares stated at SR 10 per share owned.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The company entered into profit rate swaps which mature in 2018. The notional amount of the contract as at 31 December 2017 was SR 3,236 million and the fair value was a negative amount of SR 2.6 million as at this date. The average contracted fixed interest rate ranges from 1.55% to 3%. A gain of SR 1.35 million was recognized in other comprehensive income as a result of fair value movements relating to this hedge. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

13. LONG-TERM BORROWINGS

	2017 SR'000	2016 SR'000
Syndicate Murabaha facility (refer to note 13.1)	**5,965,541**	7,689,334
Export credit facility (refer to note 13.2)	**35,935**	107,658
Industrial and Commercial Bank of China loan (refer to note 13.3)	**2,264,223**	2,262,244
Ministry of Finance (refer to note 13.4)	**2,609,888**	2,020,615
Less: debt arrangement costs	**(24,714)**	(81,492)
	10,850,873	11,998,359
Less: current portion included in current liabilities	**(6,169,722)**	(1,857,269)
	4,681,151	10,141,090

13. LONG-TERM BORROWINGS (continued)

13-1 Syndicated Murabaha facility

The syndicated Murabaha facility of approximately SR 9.75 billion was arranged by Banque Saudi Fransi in July 2009. This Murabaha facility consists of a Saudi Riyal portion totaling SR 7.09 billion and a United Stated Dollar 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. In accordance with the terms of the Murabaha financing agreement the Company exercised its two options to extend the initial maturity date (12 August 2011) for six months each, totaling the renewal of the facility for one full year with the final maturity date being 27 July 2012. Subsequently, the Company successfully obtained several approvals to extend the facility until 31 July 2013. During 2013, the Company partially settled an amount of SR 750 million out of the cash proceeds from the rights issue transaction.

On 31 July 2013, the Company 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 five years until 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 a 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 with the SR portion totaling SR 6.3 billion and the 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 five years. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C and a pledge of shares of the 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 levels.

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.
On 22 June 2017, the Company paid the second instalment amounting SR 432 million as 5% of the principle.
On 28 December 2017, the Company paid the third instalment amounting SR to 1,295 million as 15% of the principle.

The Company has appointed a consultant and has prepared a lender case which was shared with the banks with view to refinance the loans.

13. LONG-TERM BORROWINGS (continued)

13-2 Export credit facility

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 certain international banks. This facility is secured by a guarantee provided by Mobile Telecommunications Company K.S.C. and is subordinate 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 was 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 December 2017, all eighteen (31 December 2016: 16) instalments were repaid in full.

13-3 Industrial and Commercial Bank of China loan

On 15 August 2016 the Company has signed a long-term commercial loan facility agreement amounting to SR 2.25 Billion with a two years' tenor that is extendable by one additional year and payable at maturity. 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 and payable in quarterly instalments. The Facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C.

On 7 December 2017 the Company obtained a preliminary approval to extend the final maturity date to 9 August 2019.

13-4 Ministry of Finance

During 2013, the Company has 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 will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting June 2021. The amount deferred by the Company as of 31 December 2017 amounted to SR 2,431 million (2016: SR 1,923 million).

14. AMOUNTS DUE TO RELATED PARTIES

	2017 SR'000	2016 SR'000
Mobile Telecommunications Company K.S.C (refer to note 14.1)	**937,293**	884,572
Mobile Telecommunications Company K.S.C (refer to note 14.3)	**4,836,833**	4,403,680
Founding shareholders (refer to note 14.2)	**134,888**	134,888
Infra Capital Investments (refer to note 14.3)	**31,098**	30,578
Other related parties	**3,013**	2,995
	5,943,125	5,456,713

14-1 Mobile Telecommunications Company K.S.C

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable before the Syndicated Murabaha facility referred to in note 13.1 has been settled.

14-2 Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured, bears interest at market rates and does not have any fixed terms of repayment but is not repayable before the Syndicated Murabaha facility referred to in note 13.1 has been settled.

14-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts are payable to shareholders and bears interest at market rates. The amounts are unsecured and cannot be repaid before the Syndicated Murabaha facility referred to in note 13.1 has been settled. These amounts include accrued financial charges of SR 1,536 million (2016: SR 1,252 million).

15. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2017 SR'000	2016 SR'000
Opening balance (restated)	**75,323**	67,809
Current service cost	**17,687**	15,925
Interest cost	**3,766**	3,390
Payments	**(10,927)**	(11,648)
Actuarial gain /(loss)	**8,318**	(153)
Closing balance	**94,167**	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:

	2017 SR'000	2016 SR'000
Attrition rates	**10% to 13%**	10% to 13%
Salary increases	**7%**	4%
Discount rate	**4.75%**	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.

16. TRADE AND OTHER PAYABLES

	2017 **SR'000**	2016 SR'000
Accrued government charges	**1,714,500**	1,143,767
Trade and other accruals	**1,325,601**	1,299,430
Trade payables	**715,504**	671,598
Promissory notes payable	**368,198**	450,195
Employee related accruals	**63,286**	44,928
Government grant - USF Project (note 31)	**39,557**	-
Other payables and Accruals	**638,891**	585,995
	4,865,537	4,195,913

Trade payables includes amount due to related parties amounting to SR 125.3 million (2016: SR 90.3) for providing telecommunication services to related parties.

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

17. RETIREMENT BENEFIT CONTRIBUTIONS

The Company paid retirement contributions for its Saudi Arabian employees for year 2017 to the General Organization for Social Insurance SR 15,148,068 (2016: SR 15,204,281)

18. REVENUE

The following is an analysis of the Company's revenue:

	2017 **SR'000**	2016 SR'000
Usage charges	**5,579,435**	6,127,107
Subscription	**1,710,305**	778,067
Other revenue	**16,082**	21,478
	7,305,822	6,926,652

19. COST OF REVENUE AND SALES

	2017 **SR'000**	2016 SR'000
Access charges	**934,526**	1,215,062
Government charges	**1,063,159**	961,543
Leased lines	**94,049**	88,563
Other	**301,070**	260,816
	2,392,804	2,525,984

Government charges are related to annual license and commercial provisioning fee under the guidelines issued by the Communications and Information Technology Commission ("CITC").

20. DISTRIBUTION AND MARKETING EXPENSES

	2017 SR'000	2016 SR'000
Employees' salaries and related charges	**551,788**	539,059
Rent expenses	**484,326**	476,046
Repairs and maintenance	**457,037**	409,129
Dealers' commission	**351,860**	409,314
Advertising	**110,530**	209,892
Bad debts expense (Note 9)	**63,504**	43,860
Utilities	**55,883**	54,469
Branding fees (Note 14)	**52,722**	49,960
Consulting	**17,432**	24,102
Other	**40,066**	150,069
	2,185,148	2,365,900

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2017 SR'000	2016 SR'000
Employees' salaries and related charges	**88,033**	127,117
Repairs and maintenance	**84,554**	77,943
Legal, consulting and professional charges	**21,921**	17,282
System support and maintenance	**2,887**	4,078
Other	**13,289**	12,922
	210,684	239,342

22. FINANCE CHARGES

	2017 SR'000	2016 SR'000
Syndicate Murabaha facility	**460,090**	502,985
Related parties	**281,026**	257,423
ICBC – ANB (2016)	**83,864**	129,148
Ministry of Finance	**80,654**	54,957
Export credit facility	**4,459**	11,269
	910,093	955,782

23. OTHER INCOME

	2017 SR'000	2016 SR'000
Foreign exchange (loss) /gains	**(7,497)**	3,806
Gain on disposal of property, plant and equipment	**450**	807
Withholding tax refunded	**8,832**	-
	1,785	4,613

24. FINANCE INCOME

	2017 SR'000	2016 SR'000
Time deposits	**16,605**	27,058

25. Components of Zakat base

The significant components of the Company's approximate zakat base, for the year ended December 31,2017 which are subject to certain adjustments under zakat and income tax regulations, principally comprise the following:

	2017 SR'000	2016 SR'000
Shareholders' equity at beginning of year	**3,576,266**	4,554,916
Provisions at beginning of year	**937,419**	819,331
Long-term borrowings and shareholders' advances	**14,818,895**	11,517,166
Other non – current liabilities	**167,381**	1,355,888
Adjusted net loss for the year (see below)	**133,798**	(808,636)
Property and equipment	**(6,530,036)**	(7,005,995)
Intangible assets	**(15,122,472)**	(16,196,261)
Other non-current assets	**(531,122)**	(96,208)
Approximate negative Zakat base of the Company	**(2,549,871)**	(5,859,799)

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

Components of adjusted net loss

	2017 SR'000	2016 SR'000
Net profit /(loss) for the year	**11,539**	(978,543)
Provision for employees' end of service benefits	**59,910**	8,094
Allowance for doubtful debts and slow moving inventory	**20,053**	31,394
Other provisions	**42,296**	131,883
Adjusted net profit /(loss) for the year	**133,798**	(807,172)

25. Components of Zakat base (continued)

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 General Authority of Zakat and Tax (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.

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

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

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

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

26. EMPLOYEE BENEFITS EXPENSE

	2017	2016
	SR'000	SR'000
End of service benefits	**29,423**	19,316
Other employee benefits	**393,390**	393,207
	422,813	412,523

27. EARNINGS / (Loss) PER SHARE

Basic and diluted Earnings /(loss) per share is based on the profit /(loss) for the year of SR 11.5 million (2016: SR (978.5) million) divided by the weighted average number of shares in issue of 583,729,175.

28. FINANCIAL INSTRUMENTS

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt and equity comprising share capital, the hedging reserve, the accumulated deficit, long-term borrowings and amounts due to related parties.

Categories of financial instruments

Financial assets	**2017** **SR'000**	2016 SR'000
Cash and cash equivalents	**1,115,809**	918,560
Loans and receivables	**1,377,645**	1,180,478
Financial liabilities		
Amortized cost	**21,828,916**	22,347,778

The amounts for loans and receivables and cash and bank balances represents the Company's maximum exposure to credit risk at the reporting date.

Market risk

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

Foreign currency risk management

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

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

Details	**Foreign currency**	**Foreign currency amount ('000)**	**Exchange rate**	**SR'000**
Trade and other payables	Euro	343	4.13	1,416

28 FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management

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

Details	Foreign currency	Foreign currency amount ('000)	Exchange rate	SR'000
Cash and cash equivalents	Euro	2,172	4.489	9,750
Cash and cash equivalents	GBP	453	5.056	2,289
				12,039

Foreign currency sensitivity analysis

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

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

Currency	Impact on profit SR'000
Euro	103
GBP	22

Interest and liquidity risk management

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

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

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

28 FINANCIAL INSTRUMENTS (Continued)

Interest and liquidity risk management (Continued)

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the year ended 31 December 2017 would decrease or increase by SR 53,859,275. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

Details	Interest rate %	Within one year SR'000	One year to five years SR'000	Over five years SR'000	Total SR'000
Trade and other payables	Interest free	4,865,537	-	-	4,865,537
Amounts due to related parties	Interest free	-	940,265	-	940,265
Amounts due to related parties	Market related	-	3,332,255	-	3,332,255
Long-term borrowings	Market related	5,994,987	2,250,000	2,431,151	10,676,138
Total		**10,860,524**	**6,522,520**	**2,431,151**	**19,814,195**

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed is disclosed in note 9. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company has accumulated deficit as of that date. These conditions indicate that the Company's ability to meet its obligations as they become due and to continue as a going concern are dependent upon the Company's ability to arrange adequate funds in a timely manner. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments.

28 FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

The directors consider that the carrying value of the financial instruments reported in the statement of financial position approximates their fair value.

29 RELATED PARTY INFORMATION

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

	2017 SR'000	2016 SR'000
Revenue from entities owned by a shareholder	**116,768**	113,688
Purchases from entities owned by a shareholder	**87,458**	76,719
Branding fees charged by a shareholder (note 20)	**52,722**	49,960
Finance charges charged by a shareholder	**281,027**	257,423

The following balances were outstanding at the reporting date:

	2017 SR'000	2016 SR'000
Amounts due to a shareholder	**2,971**	2,971
Amounts due to entity owned by a shareholder	**42**	23
Amounts due from a shareholder	**673**	570
Amounts due from entity owned by a shareholder	**5,837**	85

Other amounts due to related parties are disclosed in note 14.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received by related parties other than those disclosed in note 13. No amounts have been expensed in the current year for doubtful debts in respect of amounts owed by related parties.

	2017 SR'000	2016 SR'000
Short-term benefits	**16,708**	17,003

30 OPERATING LEASE ARRANGEMENTS

The company had the following operating lease commitments at the reporting date in respect of sites, technical buildings and offices:

	2017	2016
	SR'000	SR'000
Within one year	**477,815**	501,792
One year to five years	**492,092**	585,551
Over five years	**207,997**	273,881
	1,177,904	1,361,224

The company incurred the following operating lease expenditure during the year.

	2017	2016
	SR'000	SR'000
Premises	**470,702**	470,142
Vehicles	**1,413**	1,480
	472,115	471,662

31 CAPITAL COMMITMENTS

The company had capital commitments totaling SR 2,041million, including SR 1,062 million related to USF project, at the reporting date (31 December 2016: SR 1,564 million)

32 GOVERNMENT GRANTS RECEIVED

The Company received total government grant income during the year SR 67 million. An amount of SR 26 million was set off against property and equipment and SR 2 million was included in the net profit of the year.

33 CONTINGENT LIABILITIES

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.

34 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. Consequently, segment reporting as required by IFRS 8 Operating Segments has not been disclosed since this would merely be a duplication of information already detailed in these financial statement.

35 COMPARATIVE FIGURES

Certain comparatives figures have been reclassified to conform with the presentation in the current period.

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

36-1 Effect of IFRS adoption on the Statement of Financial Position as at 01 January 2016

	Note 36-8	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**

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

36-1 Effect of IFRS adoption on the Opening Statement of Financial Position as at 01 January 2016 (continued)

	Note 36-8	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	36-2	(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	4,801,205
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)**	**14,932,530**
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**

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

36-2 Reconciliation of equity as at 1 January 2016

	Note 36-8	As at 1 January 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**

36-3 Effect of IFRS adoption on the statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Note 36-8	**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)
Net loss before net finance income and Zakat		(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
Item that may be reclassified subsequently to profit or loss:				
Net fair value gain on hedging instruments entered into for cash flow hedges	n	-	3,236	3,236
Total comprehensive income for the year		(980,007)	4,853	(975,154)

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

36-4 Reconciliation of loss for the year ended 31 December 2016

	Note 36-8	Loss before Zakat SR	Loss for the year SR
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)**

36-5 Effect of IFRS adoption on the Statement of Financial Position as at 31 December 2016

	Note 36-8	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		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**

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

36-5 Effect of IFRS adoption on the Statement of Financial Position as at 31 December 2016 (continued)

	Note 36-8	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		(3,968)	-	(3,968)
Other Reserves	36-6	-	153	153
Accumulated deficit	36-6	(2,258,414)	(16,078)	(2,274,492)
Total capital and reserves		**3,574,910**	**(15,925)**	**3,558,985**
NON-CURRENT LIABILITIES				
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**
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**

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

36-6 Reconciliation of equity as at 31 December 2016

	Note 36-8	As at 31 December 2016 SR
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**

36-7 Effect of IFRS adoption on the Statement of Cash Flows for the year ended 31 December 2016

	Note 36-8	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	2,365,299	(1,133,918)	1,231,381
Net cash flows from investing activities	m	(2,267,263)	284,485	(1,982,778)
Net cash flows from financing activities		(557,974)	849,433	291,459
Net decrease in cash and cash equivalents		**(459,938)**	**-**	**(459,938)**
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 year		**918,560**	**-**	**918,560**

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

36-8 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 and a decrease in the loss of SR 1,037,000 for the year 2016.

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 financial 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 to Amounts due to related parties 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 and a decrease in the loss of SR 427,000 for the year 2016.

h) Reallocation of foreign exchange gains and profit on disposal of property and equipment from finance charges and finance income respectively 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, Due to related parties 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 disclosure of proceeds on disposal of property and equipment.

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.

36-9 The Company has not availed any mandatory and short term exemptions given in IFRS 1 ‘First Time Adoption of International Financial Reporting Standards’.