ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018
Together with
Independent Auditors' Report

Contents

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

Independent auditors' report to the Shareholders of Etihad Etisalat Company

Opinion

We have audited the consolidated financial statements of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

Independent auditors' report to the Shareholders of Etihad Etisalat Company *(continued)*

Key audit matter (continued)

Revenue recognition

See Note 27 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
There is an inherent risk relating to the completeness and accuracy of recorded revenue given the complexity of the systems, the high volumes of data and the combination of different services into different products which are sold at varying prices. Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled products. Due to the estimates and judgment involved in the application of revenue recognition standards and the complexity of the related IT systems and processes, we have identified this matter as a key audit matter.	In responding to this area, our audit procedures included testing of relevant controls and substantive procedures. In particular: • Assessing the appropriateness of the revenue recognition policy that is applied to different products and combination of products to assess whether it is in accordance with the applicable accounting framework; • Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal controls over the IT environment in which the business systems operate, including access controls, program change controls, program development controls and IT operation controls; • Assessing with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal IT controls over the completeness and accuracy of rating and bill generation and the end to end reconciliation controls from the rating and billing systems to the accounting system; • Performing tests on the accuracy of customer invoice generation on a sample basis and testing the credits and discounts applied; • Performing data analytics and analytical reviews of significant revenue streams; • Performing specific procedures to test the completeness and accuracy of adjustments relating to contracts containing multiple performance obligations.

Independent auditors' report to the Shareholders of Etihad Etisalat Company *(continued)*

Key audit matter (continued)

Impairment testing of Goodwill

See Note 9.1 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As a result of past acquisitions, the Group carries capitalized goodwill with a value of SR 1,467 million as at 31 December 2018. Management performs an impairment assessment on an annual basis as required by IAS 36 Impairment of Assets. The impairment assessment for 2018 has been performed at the Group level which is consistent with the judgment that the Group has a single operating segment as discussed in Note 34 to the consolidated financial statements. The determination of recoverable amount, being the higher of fair value less costs to sell and value in use, requires judgment by the management in both identifying and then valuing the operating segment. Recoverable amounts are based on management's view of variables such as future average revenue per user (ARPU), average customer numbers and customer churn, timing and approval of capital expenditure, spectrum and the appropriate discount rate. We considered goodwill impairment to be a key audit matter due to the extent of judgment and assumptions involved in the assessment process.	We performed an evaluation of managements' assessment of the operating segment based on the criteria included in IFRS 8 Operating segments. Our evaluation included discussion with management, review of the internal reporting structure, the decision making process and how resources are allocated among business units of the Group. We subsequently evaluated the impairment assessment made by management to also ensure they were in accordance with IFRS. Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions through performing the following: • Benchmarking the key market related assumptions in management's valuation models with industry comparators and assumptions made in prior years including revenue and margin trends, capital expenditure on network assets and spectrum, market share and customer churn, against external data where available, utilizing our internal valuation specialists; • Recalculation of the discount rate by our internal valuation specialists using external information and comparison to the management's assumptions; • Testing the mathematical accuracy of the cash flow model and agreeing relevant data to the Board approved strategic long term plan; • Assessing the reliability of management's forecast through a review of actual performance against previous forecasts; • Assessing and validating the appropriateness of the disclosures made in the consolidated financial statements.

KPMG

Independent auditors' report to the Shareholders of Etihad Etisalat Company *(continued)*

Key audit matter (continued)	
Capitalisation of assets and the assessment of useful lives and residual values for property and equipment and intangible assets	
See Notes 8 and 9 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Property and equipment, and intangible assets represent a significant proportion of the Group's asset base. The estimates and assumptions made to determine the carrying amounts, including whether and when to capitalise or expense certain costs, and the determination of depreciation and amortisation charges are material to the Group's financial position and performance. The charges in respect of periodic depreciation and amortisation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual values could result in a material impact on the consolidated financial statements and is a matter of significance to our audit. The details of critical accounting judgments and carrying values of Property and Equipment and intangible assets are given in Notes 8 and 9 respectively.	We obtained an understanding of, and tested the relevant management controls relating to the capitalization of Property and Equipment and intangible assets, and the controls relevant to management's review of useful lives and residual values. We evaluated the capitalization policies and assessed the timeliness of the transfer of assets under construction by agreeing the date that depreciation commenced to the date that the asset is ready for use. Our substantive testing of the determination of estimated useful lives and residual values included the following: • Considering management's judgments, including the appropriateness of existing and revised asset lives and residual values applied in the calculation of depreciation and amortization to determine whether these judgments reflected technological developments within the telecommunications industry and changes in the anticipated duration of use by management. • Testing whether approved asset life and residual value revisions were appropriately applied to the fixed asset register.

KPMG

Independent auditors' report to the Shareholders of Etihad Etisalat Company *(continued)*

Key audit matter (continued)

First Time adoption of IFRS 15 – "Revenue from contracts with customers"

See Note 6 (A) to the consolidated financial statements.

The Key audit matter	How the matter was addressed in our audit
The Group adopted IFRS 15 "Revenue from contracts with customers" with effect from 1 January 2018 superseding the requirements of IAS 18 "Revenue". The application and adoption of IFRS 15 is complex. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls. The Group applied the cumulative retrospective method to recognize the cumulative effect of the transition directly in equity as of 1 January 2018. In using this transition method, the Group has not restated the comparative periods. We considered this to be a key audit matter as revenue is a key financial statement caption and performance metric and the application of IFRS 15 can require judgment by the management and the use of significant assumptions.	We performed the following procedures in relation to the implementation of IFRS 15: • Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group; • Gained an understanding of the management's approach to the implementation of any changes to the accounting policy; • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by the management to ensure appropriate recognition of revenue; • Evaluated the appropriateness of management's assessment of performance obligations and whether control is transferred at a point in time or over time; • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the financial statement disclosures.

KPMG

Independent auditors' report to the Shareholders of Etihad Etisalat Company *(continued)*

Key audit matter (continued)

First Time adoption of IFRS 9 – "Financial Instruments"

See Note 6 (B) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group adopted IFRS 9 on its effective date of 1 January 2018 superseding the requirements of IAS 39 "Financial Instruments – recognition and measurement". Management has assessed that the key changes arising from adoption of IFRS 9 are related to the recognition and measurement of impairment allowance on financial assets carried at amortized cost. The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired, and consequently measures impairment allowances based on the Expected Credit Loss (ECL) model as envisaged in IFRS 9, rather than the incurred losses model detailed in IAS 39. The Group's management has applied the simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. Further, the Group applied the exemption provided by IFRS 9 not to restate the comparative periods as a result of the adoption of IFRS 9. The ECL model involves the use of various assumptions, covering both future macro-economic factors and study of historical trends. As at 31 December 2018 the carrying value of trade receivables amounted to SR 5,591 million (2017: 5,319 million), and the allowance for impairment of trade receivables amounted to SR 2,025 million (2017: 1,637 million). We considered this as a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.	We performed the following procedures in relation to the implementation of IFRS 9: • Reviewed management's assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation. • Considered and evaluated the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of entities operating in similar industries. • Tested significant assumptions, including those related to future economic events that are used to calculate the likelihood of default and the expected loss on default and tested the arithmetical accuracy of the ECL model; • Involved our subject matter specialist to review the methodology used in the ECL model; and compared with accepted best practice. • We also evaluated the adequacy of the disclosures included in the accompanying consolidated financial statements.

KPMG

Independent auditors' report to the Shareholders of Etihad Etisalat Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report, 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 Consolidated Financial Statements.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditors' report to the Shareholders of Etihad Etisalat Company (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group").

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Riyadh, 18 February 2019
Corresponding to: 13 Jumada' II 1440H

Etihad Etisalat Company (A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**31 December 2018**	31 December 2017
Assets			
Non-current assets			
Property and equipment	8	**22,183,775**	23,428,341
Intangible assets	9	**8,818,165**	8,690,547
Capital advances		**450,250**	867,175
Investment in joint venture		**1,483**	-
Financial assets		**7,271**	7,271
Total non-current assets		**31,460,944**	32,993,334
Current assets			
Inventories	10	**69,360**	140,582
Contract assets	23	**89,180**	-
Accounts receivable	11	**3,566,718**	3,682,548
Due from related parties	12	**58,215**	52,419
Prepaid expenses and other assets	13	**1,279,507**	1,426,059
Other financial assets	14	**1,000,000**	1,000,000
Derivatives financial instruments		**8,095**	-
Cash and cash equivalents	15	**1,032,850**	1,192,181
Total current assets		**7,103,925**	7,493,789
Total assets		**38,564,869**	40,487,123
Equity and liabilities			
Equity			
Share capital	1	**7,700,000**	7,700,000
Statutory reserve	26	**2,648,971**	2,648,971
Retained earnings		**3,543,131**	3,911,783
Hedging reserve		**(12,754)**	-
Foreign currency translation reserve		**(10,032)**	(6,917)
Total shareholders' equity		**13,869,316**	14,253,837
Non-current liabilities			
Loans and notes payable	16	**11,987,788**	13,469,034
Provision for employees' end of service benefits	17	**426,074**	379,412
Deferred revenue		**44,582**	66,875
Deferred government grants income	18	**141,604**	160,833
Other financial liabilities		**299,640**	-
Provision for decommissioning liability	19	**239,654**	221,518
Total non-current liabilities		**13,139,342**	14,297,672
Current liabilities			
Loans and notes payable	16	**1,033,891**	1,410,638
Accounts payable	20	**5,154,712**	4,695,502
Contract liabilities	23	**151,259**	-
Due to related parties	12	**47,399**	92,590
Deferred revenue		**1,270,979**	1,726,522
Accrued expenses and other liabilities	21	**3,369,261**	2,726,272
Derivatives financial instruments		**11,249**	-
Provisions		**433,455**	1,215,981
Zakat provision	22	**64,775**	48,878
Deferred government grants income	18	**19,231**	19,231
Total current liabilities		**11,556,211**	11,935,614
Total liabilities		**24,695,553**	26,233,286
Total equity and liabilities		**38,564,869**	40,487,123

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)
Consolidated statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2018	31 December 2017
Revenue	27	**11,864,912**	11,351,301
Cost of sales	28	**(5,282,709)**	(4,820,994)
Gross profit		**6,582,203**	6,530,307
Selling and marketing expenses	29	**(1,286,397)**	(1,234,103)
General and administrative expenses	30	**(747,384)**	(1,449,872)
Impairment loss on accounts receivable	11	**(111,528)**	(233,896)
Depreciation and amortization	8,9	**(3,809,478)**	(3,626,355)
Impairment loss on property and equipment	8	**(118,333)**	-
Other income		**93,809**	33,190
Operating profit		**602,892**	19,271
Share in results of joint venture		**755**	-
Finance expenses	31	**(799,239)**	(678,443)
Finance income	14	**35,282**	11,641
Loss before zakat		**(160,310)**	(647,531)
Zakat	22	**37,644**	(61,410)
Loss for the year		**(122,666)**	(708,941)

Loss per share:

	Notes	31 December 2018	31 December 2017
Basic and diluted loss per share (in SR)	32	**(0.16)**	(0.92)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Chief Financial Officer   Chief Executive Officer   Authorized Board Member

(All amounts in Saudi Riyals thousands unless otherwise stated)

	31 December 2018	31 December 2017
Loss for the year	**(122,666)**	(708,941)
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(3,115)**	2,194
Change in fair value of cash flow hedges	**(12,754)**	-
Net total items that will be reclassified subsequently to profit or loss	**(15,869)**	2,194
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses) / gains on re-measurement of employees' end of service benefits	**(31,832)**	5,604
Net total items that will not be reclassified subsequently to profit or loss	**(31,832)**	5,604
Total other comprehensive (loss) / income for the year	**(47,701)**	7,798
Total comprehensive loss for the year	**(170,367)**	(701,143)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Total shareholders' equity	Non-controlling interest	Total equity
As at 1 January 2017	7,700,000	2,648,971	4,615,120	(9,111)	-	14,954,980	1,500	14,956,480
Loss for the year	-	-	(708,941)	-	-	(708,941)	-	(708,941)
Other comprehensive income for the year	-	-	5,604	2,194	-	7,798	-	7,798
Total comprehensive (loss) / income for the year	-	-	(703,337)	2,194	-	(701,143)	-	(701,143)
Non-controlling interest	-	-	-	-	-	-	(1,500)	(1,500)
As at 31 December 2017	7,700,000	2,648,971	3,911,783	(6,917)	-	14,253,837	-	14,253,837
As at 1 January 2018	7,700,000	2,648,971	3,911,783	(6,917)	-	14,253,837	-	14,253,837
Adjustment on application of IFRS 15	-	-	62,345	-	-	62,345	-	62,345
Adjustment on application of IFRS 9	-	-	(276,499)	-	-	(276,499)	-	(276,499)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,697,629	(6,917)	-	14,039,683	-	14,039,683
Loss for the year	-	-	(122,666)	-	-	(122,666)	-	(122,666)
Other comprehensive loss for the year	-	-	(31,832)	(3,115)	(12,754)	(47,701)	-	(47,701)
Total comprehensive loss for the year	-	-	(154,498)	(3,115)	(12,754)	(170,367)	-	(170,367)
As at 31 December 2018	**7,700,000**	**2,648,971**	**3,543,131**	**(10,032)**	**(12,754)**	**13,869,316**	**-**	**13,869,316**

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2018	31 December 2017
OPERATING ACTIVITIES			
Loss for the year		**(122,666)**	(708,941)
Adjustments for:			
Provision for inventory obsolescence		**(47,056)**	(7,267)
Depreciation	8	**3,456,321**	3,299,145
Amortization of intangible assets	9	**353,157**	327,210
Impairment loss on property and equipment	8	**118,333**	-
Provision for employees' end of service benefits	17	**50,585**	60,943
Impairment loss on accounts receivable	11	**111,528**	233,896
Provisions		**(685,262)**	38,912
Government grants		**(19,231)**	(19,231)
Zakat provision	22	**(37,644)**	61,410
Loss on sale of property and equipment		**2,926**	5,343
Share in results of joint venture		**(755)**	-
Finance expenses	31	**799,239**	678,443
Finance income		**(35,282)**	(11,641)
Changes in:			
Accounts receivable		**(272,197)**	(163,359)
Inventories		**118,278**	66,757
Contract assets		**(22,040)**	-
Prepaid expenses and other assets		**(69,362)**	93,110
Derivatives financial instruments		**(9,600)**	-
Accounts payable		**446,410**	496,365
Contract liabilities		**(24,624)**	-
Deferred revenue		**(340,570)**	168,473
Accrued expenses and other liabilities		**565,078**	(257,390)
Utilization of decommissioning provision		**(995)**	(791)
Due from related parties		**(5,796)**	17,149
Due to related parties		**(45,191)**	(45,830)
Cash generated from operating activities		**4,283,584**	4,332,706
End of service benefits paid	17	**(35,755)**	(18,669)
Finance expenses paid		**(711,711)**	(652,573)
Zakat paid	22	**(43,722)**	(67,050)
Net cash generated from operating activities		**3,492,396**	3,594,414
INVESTING ACTIVITIES			
Other financial assets		**-**	(650,000)
Finance income received		**20,435**	13,062
Purchase of property and equipment		**(1,759,496)**	(2,183,727)
Proceeds from sales of property and equipment		**5,385**	6
Acquisition of intangible assets		**(31,275)**	(156,967)
Net cash outflow from deconsolidation of subsidiary		**(1,000)**	-
Net cash used in investing activities		**(1,765,951)**	(2,977,626)
FINANCING ACTIVITIES			
Proceeds from loans and notes payable		**614,305**	9,270,506
Payment of loans and notes payable		**(2,500,081)**	(9,559,722)
Non-controlling interest		**-**	(1,500)
Net cash used in financing activities		**(1,885,776)**	(290,716)
Net changes in cash and cash equivalents		**(159,331)**	326,072
Cash and cash equivalents at 1 January		**1,192,181**	866,109
Cash and cash equivalents at 31 December	15	**1,032,850**	1,192,181
Supplementary non-cash information			
Property and equipment purchased credited to capital expenditure payable		**310,819**	(209,027)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION

1.1 Etihad Etisalat Company

Etihad Etisalat Company ("Mobily" or the "Company"), a Saudi Joint Stock Company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on 14 December 2004 (corresponding to Dhul Qa'adah 2, 1425H). The main address for the Company is P.O. Box 23088, Riyadh 11321, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated 18 August 2004 (corresponding to Rajab I 2, 1425H) approving the Council of Ministers resolution number 189 dated 10 August 2004 (corresponding to Jumada II 23, 1425H) to approve the award of the license to incorporate a Saudi Joint Stock Company under the name of "Etihad Etisalat Company".

Pursuant to the Council of Ministers resolution number 190 dated 10 August 2004 (corresponding to Jumada II 23, 1425H), the Company obtained the licenses to install and operate 2G and 3G mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network.

Pursuant to the Communication and Information Technology Commission (CITC) resolution number 5125 dated 21 February 2017 (corresponding to Jumada I 24, 1438H), the Company obtained a Unified License to provide all licensed telecommunication services including fixed line voice services and fixed internet.

The Company's main activity is to establish and operate mobile wireless telecommunications network, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Group commenced its commercial operations on 25 May 2005 (corresponding to Rabi II 17, 1426H).

The authorized, issued and paid up share capital of the Company is SR 7,700 million divided into 770 million shares of SR 10 each.

1.2 Subsidiary Companies

Below is the summary of Company's subsidiaries' and ownership percentage as follows:

		Ownership percentage				
		31 December 2018		31 December 2017		
Name	**Country of incorporation**	**Direct**	**Indirect**	**Direct**	**Indirect**	**Initial investment**
Mobily Ventures Holding S.P.C.	Bahrain	100.00%	-	100.00%	-	2,510
Mobily Infotech India Private Limited	India	99.99%	0.01%	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%	99.00%	1.00%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%	96.00%	4.00%	80,000
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%	95.00%	5.00%	9,500
Sehati for Information Service Company*	Saudi Arabia	25.00%	-	90.00%	10.00%	1,000
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%	-	100.00%	184

*On 1 July 2018, the Company's investment in Sehati for Information Service Company has diluted from 100% to 25%, consequently, has been classified as an investment in joint venture and is accounted for using the equity method.

1 CORPORATE INFORMATION (CONTINUED)

1.2 Subsidiary companies (continued)

The main activities of the subsidiaries are as follows:

- Development of technology software programs for the Group use, and to provide information technology support.
- Execution of contracts for the installation and maintenance of wire and wireless telecommunications networks and the installation of computer systems and data services.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications' equipment, smart building systems and import and export to third parties, in addition to marketing and distributing telecommunication services and providing consultation services in the telecommunication domain.
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.
- Establishment, management and operation of, and investment in service and industrial projects.
- Establishment, operating and maintenance of telecommunications networks, computer and its related works, and establishment, maintenance and operating of computer software, importing and exporting and sale of equipment, devices and programs of telecommunication systems and computer software.
- Establish and own companies specializing in commercial activities.
- Manage its affiliated companies or to participate in the management of other companies in which it owns shares, and to provide the necessary support for such companies.
- Invest funds in shares, bonds and other securities.
- Own real estate and other assets necessary for undertaking its activities within the limits pertained by law.
- Own or to lease intellectual property rights such as patents and trademarks, concessions and other intangible rights to exploit and lease or sub-lease them to its affiliates or to others.
- Have interest or participate in any manner in institutions which carry on similar activities or which may assist the Company in realizing its own objectives in the Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.
- Perform all acts and services relating to the realization of the foregoing objects.

The consolidated financial statements of the Company include the financial information of the following subsidiaries (collectively hereafter referred as "Group"):

1.2.1 Mobily Ventures Holding S.P.C.

During 2014, the Company completed the legal formalities pertaining to the investment in a new subsidiary, Mobily Ventures Holding, Single Person Company (S.P.C.), located in the Kingdom of Bahrain owned 100% by the Company.

Mobily Ventures Holding S.P.C. owns participation in the following companies;

- Anghami LLC (Cayman Islands): 8.16% (2017: 8.16%)
- MENA 360 DWC LLC (United Arab Emirates): 2.48% (2017: 2.48%)
- Dokkan Afkar.com (British Virgin Islands): 4.2% (2017: 4.2%)

1.2.2 Mobily Infotech India Private Limited

During the year 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily Infotech India Private Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary of the Company. The financial year end of the subsidiary is March 31 however, the Company uses the financial statements of the subsidiary for the same reporting period in preparing the Group's consolidated financial statements.

1.2.3 Bayanat Al-Oula for Network Services Company

During the year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition included Bayanat's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 1.5 billion, resulting in goodwill of Saudi Riyals 1,467 million on the acquisition date. The remaining 1% is owned by National Company for Business Solutions, a subsidiary of the Company.

1 CORPORATE INFORMATION (CONTINUED)

1.2 Subsidiary companies (continued)

1.2.4 Zajil International Network for Telecommunication Company

During the year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company ("Zajil"), a Saudi limited liability company. The acquisition included Zajil's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 80 million, resulting in goodwill of Saudi Riyals 63 million on the acquisition date. The remaining 4% is owned by National Company for Business Solutions, a subsidiary of the Company. The goodwill has been fully impaired during the year ended 31 December 2014.

1.2.5 National Company for Business Solutions

During the year 2008, the Company invested in 95% of the share capital of National Company for Business Solutions, a Saudi limited liability company. The remaining 5% is owned by Bayanat, a subsidiary of the Company.

National Company for Business Solution owns participation in Ecommerce Taxi Middle East (Luxembourg): 10% (2017: 10%).

1.2.6 Sehati for Information Service Company

During 2014, the Company completed the legal formalities pertaining to the investment of 90% in Sehati for Information Service Company. The remaining 10% was owned by Bayanat Al-Oula for Network Services Company, a subsidiary of the Company.

On 1 July 2018, the Company's investment in Sehati for Information Service Company has diluted from 100% to 25%, consequently, has been classified as an investment in joint venture and is accounted for using the equity method.

1.2.7 National Company for Business Solutions FZE

During 2014, National Company for Business Solutions (KSA) completed the legal formalities pertaining to the investment of 100% in National Company for Business Solutions FZE, a Company incorporated in the United Arab of Emirates.

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

These consolidated financial statements comprise the financial information of the Company and its subsidiaries (together referred to as the 'Group').

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented except for IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" which have been applied for the first time (Note 6).

These consolidated financial statements have been approved for issuance on 18 February 2019 (corresponding to 13 Jumada II 1440H).

2.2 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis unless stated otherwise using the going concern basis of assumption.

2.3 Functional and presentation currency

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

3 BASIS OF CONSOLIDATION

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, rights arising from other contractual arrangements and the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, unrealized income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interest are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

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

If the Group loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the Group’s share of components previously recognized in consolidated statement of other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4 NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet applicable to the Group's consolidated financial statements are listed below. This listing of standards and amendments issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Following are standards and amendments issued but not yet effective:

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group has started an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

a) Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
b) Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.
c) Amendments to References to Conceptual Framework in IFRS standards.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Business combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Any contingent consideration to be transferred is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is remeasured at fair value at each reporting date with the changes in fair value recognized in consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

5.3 Investment in an associate and a joint venture

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Investment in an associate and a joint venture (continued)

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in consolidated statement of other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of consolidated statement of profit or loss of an associate and a joint venture is shown separately on the face of the consolidated statement of profit or loss.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss as part of 'Share in results of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

5.4 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of cash on hand, bank current accounts and Murabaha facilities with original maturities of three month or less from acquisition date.

5.5 Financial instruments – initial recognition, subsequent measurement and derecognition

5.5.1 *Financial assets*

(a) Initial recognition and measurement

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

(b) Classification and subsequent measurement

Financial assets – Classification: Policy applicable from 1 January 2018

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

5.5.1 *Financial assets (continued)*

(b) Classification and subsequent measurement (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
Financial assets at FVOCI - Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Financial assets at FVOCI - Equity investments at	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

5.5.1 *Financial assets (continued)*

(b) Classification and subsequent measurement (continued)

Financial assets – Classification: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in consolidated statement profit or loss.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in consolidated statement other comprehensive income and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to consolidated statement profit or loss.

(c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (i) the Group has transferred substantially all the risks and rewards of the asset, or

  (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial instruments – initial recognition and subsequent measurement derecognition (continued)

5.5.1 *Financial assets (continued)*

(d) Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group considers the default in case of trade receivables occurs when a customer balance moves into the "Inactive" category based on its debt age analysis.

For all other financial assets, the Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the percentage of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial instruments – initial recognition and subsequent measurement derecognition (continued)

5.5.1 *Financial assets (continued)*

(d) Impairment of financial assets (continued)

Policy applicable before 1 January 2018

For financial assets not classified at fair value through profit or loss, the Group assesses at each reporting date whether there is any objective evidence that such financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtors or a Group of debtors are experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in the consolidated statement of profit or loss.

(ii) Financial assets classified as available for sale

For available for sale (AFS) investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

5.5.2 *Financial liabilities*

Recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are are recognised in consolidated statement of profit or loss as incurred.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Financial instruments (continued)

5.5.3 *Derivatives*

Derivatives are initially measured at fair value. Subsequent to initial recognition, any change in fair value is generally recognized in Consolidated Statement of Profit or Loss.

The Group designates derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in profit rates.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within hedging reserve under equity. The effective portion of changes in the fair value of the derivative that is recognized in Consolidated Statement of Other Comprehensive Income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in Consolidated Statement of Profit or Loss. The amount accumulated in equity is reclassified to Consolidated Statement of profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, terminated or exercised, then hedge accounting is discontinued prospectively.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in equity are immediately reclassified to Consolidated Statement of Profit or Loss.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Property and equipment

Property and equipment are only measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost comprises the cost of equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labor costs, capitalized borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to the consolidated statements of profit or loss using the straight line method over their estimated useful lives at the following annual depreciation rates.

	Estimates applied from 1 October 2018	Estimates applied as on 31 December 2017
Buildings	5%	5%
Leasehold improvements	10 %	10 %
Telecommunication network equipment	4% - 20%	4% - 20%
Computer equipment and software	10% - 33%	16% - 33%
Office equipment and furniture	14% - 33%	14% - 33%
Vehicles	20% - 25%	20% - 25%

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such changes is recognized in the consolidated statements of profit or loss prospectively.

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct labor and other direct costs. Repairs and maintenance are expensed when incurred. Gain or loss on disposal of property and equipment which represents the difference between the sale proceeds and the carrying amount of these assets, is recognized in the consolidated statement of profit or loss.

Capital work in progress is stated at cost until the construction on installation is complete. Upon the completion of construction or installation, the cost of such assets together with cost directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

During the financial year ended 31 December 2018, the Group reviewed the estimated useful lives and residual value of property and equipment, which resulted in change in the estimate of certain items. The carrying amounts of property and equipment categories that their estimated useful lives and residual value have been changed are depreciated over the remaining period of the new estimated useful lives.

5.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

5.7.1 Licenses

Acquired telecommunication licenses are initially recorded at cost or, if part of a business combination, at fair value.

Licenses are amortized on a straight line basis over their estimated useful lives from when the related networks are available for use.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.7 Intangible Assets (continued)

5.7.2 Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

5.7.3 Indefeasible rights of use "IRU"

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

5.7.4 Computer Software

Computer software licenses purchased from third parties are initially recorded at cost. Costs directly associated with the production of internally developed software, where it is probable that the software will generate future economic benefits, are recognized as intangible assets.

5.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term from money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using an applicable weighted average rates.

All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Goodwill is tested annually for impairment and any impairment loss in respect of goodwill is not reversed.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.9 Impairment of non-financial assets (continued)

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

5.10 Zakat and income tax

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss. Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated statement of profit or loss.

5.11 Employee termination benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor and Workman Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognized in the consolidated statement of financial position with a corresponding credit to retained earnings through consolidated statement of other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to consolidated statement of profit or loss in subsequent periods.

Past service cost are recognized in consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Group recognizes related restructuring costs.

5.12 Revenues

Policy applicable from 1 January 2018

The Group is in the business of providing mobile telecommunication services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Service

Revenue from services comprises airtime usage, text messaging, data service (fixed and mobile internet) and other telecom services. The Group offers services in fixed term contracts and short term arrangement. Revenue from service is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Group allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognized over the contract term. In arrangements, where Group is acting as agent, revenue from service is at net off amount transferred to third party. Revenue from additional consumption is recognized when services are rendered.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Revenues (continued)

(b) Sale of devices

Revenue from sale of devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices, the amount invoiced is recognized as revenue. Devices sales may be separate from or bundled with a service offering. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated based on respective standalone selling price. When devices sale is bundled with service offering and identified as distinct performance obligation, the amount allocated to devices is recognized as revenue at the point in time when control of the asset is transferred to the customer. When devices sale is bundled with service offering and identified as combined performance obligation, revenue is recognized over contract term.

(c) Installation and activation services

Revenue from sale of SIM is recognized at the point in time upon activation when end customer takes control of the SIM.

The Group provides installation services that are bundled together with the sale of devices to a customer.

Contracts for bundled sales of devices and installation services are comprised of one performance obligations because the promises to transfer devices and provide installation services are not capable of being distinct. Accordingly, the Group recognizes revenue from bundled sales of devices and installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Loyalty points program

Customer loyalty scheme give rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty scheme liability based on relative standalone selling price of loyalty point and liability is recognized as revenue when points are redeemed or expired.

(e) Service offering to carrier (wholesale)

Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging and the provision of other mobile telecommunications services for the billing period as per the agreed rate.

Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.

Revenue from other wholesales service is recognized on the basis of gross value over contract term.

(f) Determination of Transaction Price

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Revenues (continued)

(f) Determination of Transaction Price (continued)

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

If the Group receives long-term advances from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

(iii) Non-cash consideration

The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the devices.

(iv) Consideration payable to the customer

Consideration payable to the customer includes cash amount that the Group pays or expect to pay to the customers and is accounted for as reduction of transaction price.

When contract include contractual clause covering commercial discount or free offers, the Group defers these discounts or free offers over the contract term.

Policy applicable before 1 January 2018

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of trade discounts, incentives and volume rebates and after eliminating revenue within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

The Group's revenue comprises revenue from mobile telecommunications services as summarized below:

(a) Revenue from mobile telecommunications comprises amounts charged to customers in respect of connection or activation, airtime usage, text messaging, the provision of other mobile telecommunications services including data services, and fees for connecting users of other fixed line and mobile networks to the Group's network.

(b) Airtime, text messaging and data usage 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 provided in periods after each accounting period is deferred and recognized as the customer uses the airtime.

(c) Connection or activation fees, are non-refundable, one-off, fees charged to customers when they connect to the network and are recognized in full as revenue in the period in which the underlying obligation is fulfilled. The fees to the Group are not contingent upon resale or payment by the end user as the Group has no further obligations related to bringing about resale or delivery, and all other revenue recognition criteria have been met.

(d) Subscription fees are monthly access fees that do not vary according to usage and are recognized as revenue on a straight-line basis over the service period.

(e) Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging, and the provision of other mobile telecommunications services for the billing period as per the agreed rate.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Revenues (continued)

(f) Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.

(g) Revenue from sale of handsets and replaced sim cards is recognized upon delivery of the products to the customers in the period during which the sale transaction took place.

(h) In arrangements involving the delivery of bundled products and services, those bundled products and services are separated into individual elements, each with its own separate revenue contribution, evaluated from the perspective of the customer. Total arrangement consideration is allocated to each deliverable based on the relative fair value of the individual element. The Group generally determines the fair value of individual elements based on an objective and reliable assessment of the prices at which the deliverable is regularly sold on a standalone basis.

(i) An exchange of good or services of similar nature is not regarded as a transaction that generates revenue. However, exchange of dissimilar items is regarded as generating revenue.

Loyalty program

The Group operates a loyalty program that provides a variety of benefits for customers. Loyalty award credits are based on a customer’s telecommunications usage. The Group accounts for the loyalty award credits as a separately identifiable component of the sale transaction in which they are granted.

The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability in the consolidated statement of financial position until the awards are utilized. The fair value is determined using estimation techniques that take into account the fair value of the benefits for which the awards could be redeemed and is net of awards credit which are expected to expire (breakage). The Group also sells award credits to third parties for use in promotional activities. The revenue from such sales is recognized when the awards are ultimately utilized.

5.13 Contract balances

Policy applicable from 1 January 2018

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.14 Costs and expenses

(a) Cost of services and sales

Represent the cost of services and sales incurred during the period which include the costs of goods sold, inventory obsolescence, direct labor, governmental charges, interconnection costs and other overheads related to the revenues recognized.

i. Governmental charges

Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Group against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which these fees are incurred and included under cost of services in the consolidated statement of profit or loss.

ii. Interconnection costs

Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of profit or loss.

(b) Selling and marketing expenses

Represent expenses resulting from the Group's management efforts with regard to the marketing function or the selling and distribution function. Selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between selling and marketing expenses and cost of revenues, when required, are made on a consistent basis.

(c) General and administrative expenses

Represent expenses relating to the administration and not to the revenue earning function or the selling and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

(d) Contract cost

Policy applicable from 1 January 2018

i. Cost to obtain a contract

Cost to obtain a contract represents incremental cost and directly related to obtain a contract or groups of contracts and would not be paid in the absence of the contract. The Group capitalized such costs of obtaining a contract on the consolidated statement of financial position as a contract acquisition cost when incurred to the extent of recoverability and the related liability is recorded.

ii. Costs to fulfill a contract

The Group capitalizes costs to fulfill a contract when:

(a) The costs relate directly to a specific contract;
(b) The costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
(c) The costs are expected to be recovered.

Cost related to performance obligations that have been satisfied are included in the consolidated statement of profit or loss.

iii. Amortization

Assets recognized in respect of: (i) the costs to obtain a contract and (ii) the costs to fulfill a contract, is amortized in line with the pattern of revenue recognition.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.15 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Company.

5.16 Foreign currency transactions

(a) Reporting currency and functional currency

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidate statement of profit or loss reflects the amount that arises from using this method.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in consolidated statement of other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income or consolidated statement of profit or loss are also recognized in consolidated statement of other comprehensive income or consolidated statement of profit or loss, respectively).

(c) Group companies

The results and financial position of foreign subsidiaries and associates, not operating in a hyper-inflationary economy, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

i. assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that consolidated statement of financial position;
ii. Income and expenses for each the consolidated statement of profit or loss are translated at average exchange rates; and
iii. Components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of shareholders' equity. The exchange differences arising on translation for consolidation are recognized in consolidated statement of other comprehensive income. On disposal of a foreign operation, the component of consolidated statement of other comprehensive income relating to that particular foreign operation is recognized in consolidated statement of profit or loss.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Chief Operating Decision Maker "CODM" to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 34).

5.19 Provisions

(a) General

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of liability is recognised as finance cost in the consolidated statement of profit or loss.

(b) Asset retirement obligation

The provision for asset retirement obligation arose on construction of the networking sites. A corresponding asset is recognized in property and equipment. Asset retirement obligation is provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.20 Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of the obligation cannot be measured with sufficient reliability, then the Group does not recognize the contingent liability but discloses it in the consolidated financial statements.

5.21 Inventories

Inventories comprise of mobile phones (handsets) and other customer-premise equipment (CPE), SIM cards, pre-paid vouchers and scratch cards. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined by using the weighted average method. The Group provides for slow-moving and obsolete inventories in the cost of sales in the consolidated statement of profit or loss.

5.22 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grants.

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

A. IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenue are set out below.

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms	Nature of the changes in accounting policy
FTTH revenue	The Group offers free months (in addition to the contract term) of services to its prepaid FTTH customers as part of the promotional campaign. In this context, the Group's performance obligation extends to the provision of services across whole period including additional months.	Previously, the Group recognized revenue over the original contract term (i.e. excluding the free month entitlement). Under IFRS 15, revenue relating to such prepaid FTTH contracts is recognized across the complete term of the contract.
Installation and set-up fee revenue	The enterprise segment contracts entered into by the Group has one-time installation and set-up fee elements that is invoiced to the customer at the inception of the contract. The Group identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone.	Previously, setup and installation fees were recognized as revenue, as and when they were invoiced to the customer. Under IFRS 15 such installation and set-up fee will be recognized as revenue over the contract term.
Identification of performance obligations on GSM bundled products - Postpaid	The Telecom services of the Group generate revenue from providing telecommunication services, such as access to the network, airtime usage, messaging and internet services, as well as from sales of mobile devices. Products and services may be sold separately or in bundled packages. Accordingly, the timing of satisfaction of performance obligations within a bundled package may vary; i.e. performance obligations relating to device sales may get satisfied when a customer takes possession of the device. This usually occurs when the customer signs a new contract and payments are made based on the contractual terms.	Previously, device revenue was recognized based on their fair value net of discounts. Under IFRS 15, the consideration will be allocated between separate products and services in a bundle (i.e. separate performance obligations) based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group ordinarily sells these products and services.

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. IFRS 15 Revenue from Contracts with Customers (continued)

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms	Nature of the changes in accounting policy
Customer loyalty program	The Group operates a loyalty program that provides a variety of benefits for customers. Loyalty award credits are based on a customer's telecommunications usage. The Group allocates the consideration received for mobile telecommunication services to loyalty points that are redeemable against any future purchases based on respective standalone selling price. The Group also sells award credits to third parties for use in promotional activities.	Previously, the Group allocated award credits to its customers based on the respective transaction values and the resultant cost was recognized against the revenue from the underlying transactions. Under IFRS 15, the consideration to be allocated between separate products and services in a bundle including loyalty points (i.e. separate performance obligations) based on their stand-alone selling prices.
Customers' unexercised rights	In the context of prepaid voice and data contracts, customers may not utilize all of their rights to receive goods or services (breakage), due to the expiration of the credit term or due to the expiration of the prepaid contract term.	Previously, the Group recognized breakage revenue at the lapse of the rights of the customer to receive services, typically along with the expiry of the credit / prepaid contract term. Under IFRS 15, such breakages to be estimated at the contract inception and the revenue to be recognized over the period. Breakage rates are predicted when there is sufficient history to accurately determine historic breakage rates and that history is expected to be predictive of future breakage.
Costs to obtain contracts / Costs to fulfill contracts	The Group incurs costs that are solely incremental to - obtaining contracts with customers (i.e. commission, sales incentives etc) - fulfilling the obligations under the contracts with customers (i.e. cost of devices, sub-contractor costs) and would not otherwise be incurred.	Previously, certain costs that were incurred in obtaining contracts (i.e. commission, sales incentives etc;) / fulfilling performance obligations under contracts with customers (i.e. cost of devices, sub-contractor costs) were charged to the consolidated statement of profit or loss as and when they were incurred. Under IFRS 15, all such costs that is incremental and incurred directly as a result of obtaining a contract or groups of contracts / fulfilling obligations under a contract with a customer to be capitalized and amortized over the contract term, to the extent that the Group intends to recover such balances.

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*

The details of new significant accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018.

Financial Assets	Original Classification under IAS 39	New classification under IFRS 9
Equity Investment	Available for Sale	Equity investments at FVOCI
Debt Investment	Held to maturity	Amortized cost
Trade Receivables	Loans and Receivables	Amortized cost
Cash and cash equivalents	Loans and Receivables	Amortized cost

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

iii. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (i) the Group has transferred substantially all the risks and rewards of the asset, or

  (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table summarizes the impact of adopting IFRS 15 and IFRS 9 on the Group's consolidated financial statements for the year ended 31 December 2018.

Impact on the consolidated statement of financial position

	As reported	Adjustment IFRS 15	Adjustment IFRS 9	Amounts without adoption of IFRS 15 & 9
Assets				
Non-current assets				
Property and equipment	**22,183,775**	-	-	**22,183,775**
Intangible assets	**8,818,165**	-	-	**8,818,165**
Capital advances	**450,250**	-	-	**450,250**
Investment in joint venture	**1,483**	-	-	**1,483**
Financial assets	**7,271**	-	-	**7,271**
Total non-current assets	**31,460,944**	-	-	**31,460,944**
Current assets				
Inventories	**69,360**	-	-	**69,360**
Contract assets	**89,180**	(89,180)	-	**-**
Accounts receivable	**3,566,718**	-	348,545	**3,915,263**
Due from related parties	**58,215**	-	-	**58,215**
Prepaid expenses and other assets	**1,279,507**	(73,115)	-	**1,206,392**
Other financial assets	**1,000,000**	-	-	**1,000,000**
Derivatives financial instruments	**8,095**	-	-	**8,095**
Cash and cash equivalents	**1,032,850**	-	-	**1,032,850**
Total current assets	**7,103,925**	(162,295)	348,545	**7,290,175**
Total assets	**38,564,869**	(162,295)	348,545	**38,751,119**
Equity and liabilities				
Equity				
Share capital	**7,700,000**	-	-	**7,700,000**
Statutory reserve	**2,648,971**	-	-	**2,648,971**
Retained earnings	**3,543,131**	(127,766)	348,545	**3,763,910**
Hedging reserve	**(12,754)**	-	-	**(12,754)**
Foreign currency translation reserve	**(10,032)**	-	-	**(10,032)**
Total shareholders' equity	**13,869,316**	(127,766)	348,545	**14,090,095**
Non-current liabilities				
Loans and notes payable	**11,987,788**	-	-	**11,987,788**
Provision for employees' end of service benefits	**426,074**	-	-	**426,074**
Deferred revenue	**44,582**	-	-	**44,582**
Deferred government grants income	**141,604**	-	-	**141,604**
Other financial liabilities	**299,640**	-	-	**299,640**
Provision for decommissioning liability	**239,654**	-	-	**239,654**
Total non-current liabilities	**13,139,342**	-	-	**13,139,342**
Current liabilities				
Loans and notes payable	**1,033,891**	-	-	**1,033,891**
Accounts payable	**5,154,712**	-	-	**5,154,712**
Contract liabilities	**151,259**	(151,259)	-	**-**
Due to related parties	**47,399**	-	-	**47,399**
Deferred revenue	**1,270,979**	118,407	-	**1,389,386**
Accrued expenses and other liabilities	**3,369,261**	-	-	**3,369,261**
Derivatives financial instruments	**11,249**	-		**11,249**
Provisions	**433,455**	-	-	**433,455**
Zakat provision	**64,775**	(1,677)	-	**63,098**
Deferred government grants income	**19,231**	-	-	**19,231**
Total current liabilities	**11,556,211**	(34,529)	-	**11,521,682**
Total liabilities	**24,695,553**	(34,529)	-	**24,661,024**
Total equity and liabilities	**38,564,869**	(162,295)	348,545	**38,751,119**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on the consolidated statements of profit or loss and other comprehensive income

	As reported	Adjustment IFRS 15	Adjustment IFRS 9	Amounts without adoption of IFRS 15 & 9
Revenue	**11,864,912**	3,893	-	**11,868,805**
Cost of sales	**(5,282,709)**	(19,211)	-	**(5,301,920)**
Gross profit	**6,582,203**	(15,318)	-	**6,566,885**
Selling and marketing expenses	**(1,286,397)**	(49,851)	-	**(1,336,248)**
General and administrative expenses	**(747,384)**	-	-	**(747,384)**
Impairment loss on accounts receivable	**(111,528)**	-	72,046	**(39,482)**
Depreciation and amortization	**(3,809,478)**	-	-	**(3,809,478)**
Impairment loss on property and equipment	**(118,333)**	-	-	**(118,333)**
Other income	**93,809**	(1,929)	-	**91,880**
Operating profit / (loss)	**602,892**	(67,098)	72,046	**607,840**
Share in results of joint venture	**755**	-	-	**755**
Finance expenses	**(799,239)**	-	-	**(799,239)**
Finance income	**35,282**	-	-	**35,282**
(Loss) / profit before zakat	**(160,310)**	(67,098)	72,046	**(155,362)**
Zakat	**37,644**	1,677	-	**39,321**
(Loss) / profit for the year	**(122,666)**	(65,421)	72,046	**(116,041)**
Total comprehensive (loss) / income for the year	**(170,367)**	(65,421)	72,046	**(163,742)**

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The estimates used by the Group to present these amounts in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA reflect conditions at the reporting date.

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

7.1 Provisions

(a) Impairment of accounts receivable

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

(b) Asset retirement obligation

In the course of the Group's activities, network and other assets are utilized on leased premises which are expected to have costs associated with decommissioning these assets and restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These decommissioning and restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements.

The Group records these decommissioning and restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

7.2 Financial risk management and financial instruments

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUE)

7.3 Defined benefit obligations

The cost of defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and are based on expected future inflation rates for the respective countries.

7.4 Impairment of goodwill

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

7.5 Property and equipment

(a) Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

(b) Allocation of costs

The Group enters into arrangements with certain of its key suppliers which may include the provision of multiple products and services including property and equipment, inventories and maintenance and other services across a number of reporting periods. Such arrangements may include the provision of free of charge assets and incentives which enable the Group to obtain further products and services at discounted values. Management aggregates, where appropriate, such arrangements and allocates the net cost of such an aggregation between the multiple products and services based on its best estimate of the fair value of the individual components. The cost of such components is capitalized or expensed according to the relevant accounting policy.

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

7.6 Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the General Authority of Zakat and Tax ("GAZT") and is subject to change based on final assessments received from the GAZT. The Group recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the GAZT is dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit or loss in the period in which such final determination is made.

7.7 Contingencies

The Group is currently involved in various legal proceedings. Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Group’s defense in these matters and are based upon the probability of potential results. The Group’s management currently believes that these proceedings will not have a material effect on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected depending on the final outcome of the proceedings.

7.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group’s accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

7.9 Revenue

(a) Identifying performance obligations in a bundled sale of devices and services

The Group analyses whether devices and services are capable of being distinct or not. The Group provides services that are either sold separately or bundled together with the sale of devices to a customer.

(b) Gross versus net presentation

When the Group sells goods or services as principal, revenue and related costs are reported on a gross basis in revenue and operating cost. If the Group sells goods or services as an agent, revenue and related costs are recorded in revenue on a net basis, representing the margin earned.

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

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

(c) Consideration of significant financing component in a contract

The Group analyses significant financing component in a contract where payment terms are exceeding more than one year for the date of services rendered. In determining the interest to be applied to the amount of consideration, the Group uses discount rate as appropriate in the circumstances.

(d) Determining whether the loyalty points provide material rights to customers

The Group assessed whether the loyalty points provide a material right to the customer that needs to be accounted for as a separate performance obligation. The Group determined that the loyalty points provide a material right that the customer would not receive without entering into the contract. The free products or services the customer would receive by exercising the loyalty points do not reflect the stand-alone selling price that a customer without an existing relationship with the Group would pay for those products or services.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Telecommunication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
Cost:									
At 1 January 2018	274,710	1,177,409	839,589	37,692,535	5,149,327	503,489	3,046	746,077	46,386,182
Additions	-	1,357	26,603	2,000,761	309,361	8,247	-	2,638	2,348,967
Adjustments	-	-	-	-	-	-	-	(10,568)	(10,568)
Reclassification	-	(3,559)	-	-	2,794	765	-	-	-
Transfers	-	60,401	9,405	593,453	71,191	-	-	(734,450)	-
Disposals	(1,518)	(52)	(39,199)	(52,647)	(19,060)	(75,281)	-	(148)	(187,905)
At 31 December 2018	273,192	1,235,556	836,398	40,234,102	5,513,613	437,220	3,046	3,549	48,536,676
Depreciation and impairment:									
At 1 January 2018	-	237,709	666,733	17,944,559	3,631,585	474,849	2,406	-	22,957,841
Charge for the year	-	66,428	41,970	2,739,237	585,398	23,056	232	-	3,456,321
Impairment	-	-	-	113,482	4,851	-	-	-	118,333
Reclassification	-	(427)	-	-	(338)	765	-	-	-
Disposals	-	(22)	(35,463)	(50,408)	(18,420)	(75,281)	-	-	(179,594)
At 31 December 2018	-	303,688	673,240	20,746,870	4,203,076	423,389	2,638	-	26,352,901
Net book value:									
At 31 December 2018	**273,192**	**931,868**	**163,158**	**19,487,232**	**1,310,537**	**13,831**	**408**	**3,549**	**22,183,775**
At 31 December 2017	274,710	939,700	172,856	19,747,976	1,517,742	28,640	640	746,077	23,428,341

The Group has capitalized borrowing costs during the year ended 31 December 2018 amounting to SR 10 million (31 December 2017: SR 106 million) and internal technical salaries amounting to SR 176 million (31 December 2017: SR 169 million).

The Group has reviewed the estimated useful lives and residual value of property and equipment during the year ended 31 December 2018, which resulted in change in the estimate of certain items. The effect of these changes on actual and expected depreciation expense, was as follows:

	2018	2019	2020	2021	2022	Later
Increase / (Decrease) in depreciation expense (SR million)	107	(146)	(134)	(66)	(50)	289

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
Cost:					
1 January 2018	13,083,795	1,466,865	1,120,745	97,689	15,769,094
Additions	450,305	-	30,470	-	480,775
31 December 2018	13,534,100	1,466,865	1,151,215	97,689	16,249,869
Amortization:					
1 January 2018	6,541,997	-	438,861	97,689	7,078,547
Charge for the year	270,175	-	82,982	-	353,157
31 December 2018	6,812,172	-	521,843	97,689	7,431,704
Net book value:					
At 31 December 2018	**6,721,928**	**1,466,865**	**629,372**	**-**	**8,818,165**
At 31 December 2017	6,541,798	1,466,865	681,884	-	8,690,547

9.1 GOODWILL

Goodwill acquired through business combinations is allocated as follows:

	31 December 2018	31 December 2017
Bayanat Al-Oula for Network Services Company	**1,466,865**	1,466,865

The Group has tested separately recognized goodwill for impairment. The recoverable amount has been determined based on value-in-use, using discounted cash flow analysis. The cash flow projections are based on approved budget. The discount rate used is 10% and terminal value growth rate of 1.5%.

The recoverable amount of the CGU as at 31 December 2018 amounted to SR 13.8 billion (31 December 2017: SR 17.4 billion) has been determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five years period. The pre-tax discount rate applied to cash flow projections is 10% (31 December 2017: 10%) and cash flows beyond the 5 years period are extrapolated using a 1.5% growth rate (31 December 2017: 1.5%). It was concluded that the carrying value of the goodwill has not exceeded the value-in-use. As a result of this analysis, management has not recognized any impairment loss.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for telecommunications and network equipment are most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate

Discount rate
Discount rate represents the current market assessment of the risks specific to each cash generating unit and calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service and segment-specific risk is incorporated. The pre-tax discount rate used is 10% (31 December 2017: 10%).

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 INTANGIBLE ASSETS (CONTINUED)

9.1 GOODWILL (CONTINUED)

Terminal growth rate
The growth rate used does not exceed the long term average growth rates of the entity. This rate assumed 1.5% (31 December 2017: 1.5%).

Sensitivity to changes in assumptions
The implications of the key assumptions for the recoverable amount are discussed below:

Discount rate
A rise in the pre-tax discount rate beyond 23% (i.e., +13 %) (31 December 2017: 32% (i.e., +22 %)) in the CGU would result in an impairment loss.

Terminal growth rate
Management recognizes that the speed of technological changes and the possibility of new entrants can have a significant impact on terminal growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 1.5%. A reduction to 0% (31 December 2017: 0%) in the long-term growth rate would not result in an impairment loss.

10 INVENTORIES

	31 December 2018	31 December 2017
Handsets and Customer premises equipment	**259,434**	377,648
SIM cards	**32,772**	38,159
Prepaid vouchers and scratch cards	**9,886**	7,569
	302,092	423,376
Less: provision for inventory obsolescence	**(232,732)**	(282,794)
	69,360	140,582

The movement of the provision for inventory obsolescence is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	**(282,794)**	(324,793)
Reversal during the year	**47,056**	8,942
Written off during the year	**3,006**	33,057
Balance at the end of the year	**(232,732)**	(282,794)

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Accounts receivable	**5,591,274**	5,319,077
Less: provisions for doubtful debts	**(2,024,556)**	(1,636,529)
	3,566,718	3,682,548

The movement of the provision for doubtful debts is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	**(1,636,529)**	(2,710,913)
Adjustment on application of IFRS 9	**(276,499)**	-
Balance at the beginning of the year(adjusted)	**(1,913,028)**	(2,710,913)
Charge for the year	**(111,528)**	(233,896)
Written off during the year	**-**	1,308,280
Balance at the end of the year	**(2,024,556)**	(1,636,529)

12 RELATED PARTIES TRANSACTIONS AND BALANCES

During the year, the Group transacted with following related parties:

Party	**Relationship**
Emirates Telecommunication Corporation	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation
Etisalat Misr	Subsidiary to Emirates Telecommunication Corporation
Etisalat Afghanistan	Subsidiary to Emirates Telecommunication Corporation
Etisalat Al Maghrib S.A (Maroc Telecom)	Subsidiary to Emirates Telecommunication Corporation
Pakistan Telecommunication Company Limited	Subsidiary to Emirates Telecommunication Corporation

The Group transacted with related parties in ordinary course of business. Following are the details of major transactions with related parties:

	31 December 2018	31 December 2017
Interconnection services and roaming services rendered	**119,544**	102,338
Interconnection services and roaming services received	**365,703**	147,491
Management fees	**-**	22,524
Other management expenses	**29,673**	28,670
Telecommunication services	**4,079**	4,224
Other services	**-**	2,512

Balances with related parties	**31 December 2018**	31 December 2017
Balance due from	**58,215**	52,419
Balance due to	**47,399**	92,590

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Compensation and benefits to key management personnel

	31 December 2018	31 December 2017
Short term employee benefits	**66,974**	54,155
Post-employment benefits	**2,428**	1,884
Total compensation and benefits to key management personnel	**69,402**	56,039

Services rendered to related parties comprise of the provision of telecommunication service, interconnection services and roaming services by the Group based on normal commercial terms. Services received from related parties comprise of telecommunication service, interconnection services and roaming services to the Group based on normal commercial terms. Management fees and other management expenses are calculated based on the relevant agreements with Emirates Telecommunication Corporation. The balances due to and from related parties are unsecured and will be settled in cash.

Transactions with key management personnel comprise of remunerations to Board of Directors and other senior management members who are key management personnel of the Group.

13 PREPAID EXPENSES AND OTHER ASSETS

	31 December 2018	31 December 2017
Prepaid expenses	**303,689**	342,782
Accrued revenues	**177,324**	218,660
Deferred costs	**389,372**	227,634
Advance payments to trade suppliers	**92,809**	78,430
Others	**316,313**	558,553
	1,279,507	1,426,059

14 OTHER FINANCIAL ASSETS

Financial asset at amortized cost represents placements in banks at different profit rates and with maturities between three months to one year. Interest income arising from these held to maturity investments are reported under finance income in the consolidated statement of profit or loss.

15 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	**728**	1,033
Cash at banks	**582,122**	1,191,148
Short-term deposits	**450,000**	-
	1,032,850	1,192,181

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LOANS AND NOTES PAYABLE

	31 December 2018	31 December 2017
Long-term loans	**13,021,679**	14,879,672
Less: current portion	**(1,033,891)**	(1,410,638)
Non-current	**11,987,788**	13,469,034

a) Maturity profile of loans and notes payable:

	31 December 2018	31 December 2017
Less than one year	**1,033,891**	1,410,638
Between one to five years	**8,704,052**	8,380,034
Over five years	**3,283,736**	5,089,000

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LOANS AND NOTES PAYABLE (CONTINUED)

b) The details of loans and notes payable as at 31 December 2018 are as follows:

Lender	Borrowing Company	Loan nature	Borrowing Purpose	Date issue	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Local banks Syndicated	Mobily	Long-term refinancing facility agreement Sharia' compliant	Refinancing the maturing obligations under Airtime and Bayanat Facilities	Q1, 2017	Saudi Riyals	Saudi Riyals 7,889 million	Saudi Riyals 7,889 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	7 years	Saudi Riyals 180 million	Saudi Riyals 7,623 million	Saudi Riyals 7,803 million	Utilization period of 2 years, repayment period of 5 years
Export Credit Agency of Finland (Finnvera)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018,	US Dollars	USD 725 million (Saudi Riyals 2,719 million)	USD 595 million (Saudi Riyals 2,229 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 280 million	Saudi Riyals 1,152 million	Saudi Riyals 1,432 million	Utilization period of 1.5 years, repayment period of 8.5 years

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LOANS AND NOTES PAYABLE (CONTINUED)

Lender	Borrowing Company	Loan nature	Borrowing Purpose	Date issue	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Swedish Export Credit Corporation (EKN))	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018,	USD Dollars	USD 653 million (Saudi Riyals 2,447 million)	USD 584 million (Saudi Riyals 2,190 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 238 million	Saudi Riyals 1,044 million	Saudi Riyals 1,282 million	Utilization period of 1.5 years, repayment period of 8.5 years
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q1, 2014	Saudi Riyals	Saudi Riyals 1,500 million	Saudi Riyals 1,500 million	Murabaha rate is based on SIBOR plus a fixed profit margin.	Semi-annual repayments	7.5 years	Saudi Riyals -5 million	Saudi Riyals 668 million	Saudi Riyals 663 million	Utilization period of 6 months, repayment period of 7 years
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q3, 2016	US Dollars	USD 135 million (Saudi Riyals 506.8 million)	USD 131.90 million (Saudi Riyals 495.15 million)	Fixed rate	Semi-annual repayments	3 years	Saudi Riyals 5 million	Saudi Riyals 10 million	Saudi Riyals 15 million	Utilization period of 6 months, repayment period of 3 years

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LOANS AND NOTES PAYABLE (CONTINUED)

Lender	Borrowing Company	Loan nature	Borrowing Purpose	Date issue	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring a telecom-munication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 122 million (Saudi Riyals 458 million)	USD 101 million (Saudi Riyals 377 million)	Fixed rate per annum	Semi-annual repayments	10.5 years	Saudi Riyals 41 million	Saudi Riyals 206 million	Saudi Riyals 247 million	Utilization period of 2 years, repayment period of 8.5 years
Other debts (promissory notes and discounted invoices)	Mobily	Vendor Financing	Vendor financing	-	Saudi Riyals	Saudi Riyals 1,090 million	Saudi Riyals 1,090 million	-	Sporadic payments	3 years	Saudi Riyals 96 million	-	Saudi Riyals 96 million	Various repayment tenors
Al-Rajhi Bank	Mobily	Mid-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q1, 2016	Saudi Riyals	Saudi Riyals 400 million	Saudi Riyals 400 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Annual repayment	3.5 years	Saudi Riyals 200 million	-	Saudi Riyals 200 million	Repayment period of 3.5 years
Alinma Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q4, 2016	Saudi Riyals	Saudi Riyals 2,000 million	Saudi Riyals 1,300 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	10 years	Saudi Riyals -2 million	Saudi Riyals 1,286 million	Saudi Riyals 1,284 million	Utilization period of 4 years, repayment period of 6 years
Total											**Saudi Riyals 1,033 million**	**Saudi Riyals 11,989 million**	**Saudi Riyals 13,022 Million**	

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LOANS AND NOTES PAYABLE (CONTINUED)

c) Reconciliation of movement of liabilities to cash flows arising from financing activities;

	Loans and notes payable	Non-controlling interest	Total
Balance as 1 January 2018	14,879,672	-	14,879,672
Changes from financing activities			
Proceeds from loans and notes payable	614,305	-	614,305
Payment of loans and notes payable	(2,500,081)	-	(2,500,081)
Total changes from financing activities	(1,885,776)	-	(1,885,776)
Other changes			
Finance expenses	799,239	-	799,239
Unwind of discount	(28,279)	-	(28,279)
Finance expenses paid	(711,711)	-	(711,711)
Capitalized borrowing cost	10,167	-	10,167
Payment of upfront fees	(40,834)	-	(40,834)
Accrued interest payable movement	(799)	-	(799)
Total liability related to other changes	27,783	-	27,783
Balance as 31 December 2018	**13,021,679**	**-**	**13,021,679**

	Loans and notes payable	Non-controlling interest	Total
Balance as 1 January 2017	15,208,753	1,500	15,210,253
Changes from financing activities			
Proceeds from loans and notes payable	9,270,506	-	9,270,506
Payment of loans and notes payable	(9,559,722)	-	(9,559,722)
Non-controlling interest	-	(1,500)	(1,500)
Total changes from financing activities	(289,216)	(1,500)	(290,716)
Other changes			
Finance expenses	678,443	-	678,443
Unwind of discount	(9,905)	-	(9,905)
Finance expenses paid	(652,573)	-	(652,573)
Capitalized borrowing cost	105,560	-	105,560
Payment of upfront fees	(145,480)	-	(145,480)
Accrued interest payable movement	(15,910)	-	(15,910)
Total liability related to other changes	(39,865)	-	(39,865)
Balance as 31 December 2017	**14,879,672**	**-**	**14,879,672**

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Net expense recognized in consolidated statement of profit or loss:

	31 December 2018	31 December 2017
Service cost	**35,288**	47,482
Interest cost	**15,297**	13,461
	50,585	**60,943**

Movement of provision for employees' end of service benefits recognized in the consolidated statement of financial position is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	**379,412**	342,742
Charge recognized in consolidated statement of profit or loss	**50,585**	60,943
Actuarial loss /(gain) recognized in the consolidated statement of comprehensive income	**31,832**	(5,604)
Benefits paid	**(35,755)**	(18,669)
Balance at the end of the year	**426,074**	379,412

Significant assumptions used in determining the provision for employees' end of service benefits includes the following (weighted average):

	31 December 2018	31 December 2017
Discount rate	**4.7%**	4.3%
Future salary increase rate	**2.3%**	2%
Death while in service	**0%**	0%
Withdrawal before normal retirement life	**3.5%**	5%

Reasonably possible change to one of the relevant actuarial assumptions holding other assumptions constant would have affected the provision for employees' end of service benefits by the following amounts:

Sensitivity Level	**31 December 2018**		31 December 2017	
	Increase of 1%	**Decrease of 1%**	Increase of 1%	Decrease of 1%
Discount rate	**(47,347)**	**54,602**	(39,878)	47,948
Future salary increase rate	**57,918**	**(45,830)**	3,593	(3,206)

The sensitivity analysis above may not be representative of an actual change in provision for employees' end of service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

At 31 December 2018, the weighted-average duration of the defined benefit plan was 13.01 years (2017: 13.95 years).

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 DEFERRED GOVERNMENT GRANTS INCOME

The Group benefited from certain subsidies by Communication and Information Technology Commission under Universal Service Fund service agreement. These subsidies were conditional on implementation of network services in the mandatory service locations. They were initially recognized as deferred government grants income and are being amortized over the useful life of the underlying network assets.

19 PROVISION FOR DECOMMISSIONING LIABILITY

	31 December 2018	31 December 2017
Balance at the beginning of the year	**221,518**	209,374
Additions during the year	**6,735**	3,030
Unwind of discount	**12,396**	9,905
Utilization during the year	**(995)**	(791)
Balance at the end of the year	**239,654**	221,518

20 ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Capital expenditure payable	**1,895,825**	1,882,783
Trade accounts payable	**3,258,887**	2,812,719
	5,154,712	4,695,502

21 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018	31 December 2017
Accrued telecommunication expenses	**1,365,069**	856,049
Accrued services and maintenance expenses	**412,165**	327,160
Accrued selling and marketing expenses	**368,302**	435,043
Others	**1,223,725**	1,108,020
	3,369,261	2,726,272

22 ZAKAT PROVISION

The Group is subject to zakat according to the regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. The Group files its zakat returns on a consolidated basis, starting from the financial year ended December 31, 2009 and thereafter, where it includes the Company and its subsidiaries due to the fact that the Group is one economic entity wholly owned and managed by the Company.

The Group has filed its zakat returns with GAZT for the years through 2017 and settled its zakat thereon. During the year ended 31 December 2016, the Group submitted adjusted zakat returns for the years 2013 and 2014, as a result of restatement of the consolidated financial statements for the said years.

The Group has finalized its zakat status and obtained the final zakat assessments for the years until 2006. The Group has received zakat assessments for the years 2007 through 2011 that showed additional zakat and withholding tax assessments of SR 317 million and SR 237 million respectively, which have been appealed by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 ZAKAT PROVISION (CONTINUED)

22.1 CALCULATION OF ADJUSTED NET LOSS

	31 December 2018	31 December 2017
Loss before zakat	**(160,310)**	(647,531)
Provisions	**(656,262)**	(1,028,657)
Adjusted net loss for the year	**(816,572)**	(1,676,188)

22.2 ZAKAT BASE CALCULATION

The significant components of the zakat base under zakat regulations are principally comprised of the following:

	Note	**31 December 2018**	31 December 2017
Adjusted net loss for the year	22.1	**(816,572)**	(1,676,188)
Shareholder's equity at beginning of the year		**14,260,754**	14,964,091
Provisions at beginning of the year		**4,012,732**	4,763,820
Loans and notes payable		**13,021,679**	14,879,672
Other additions		**2,337,068**	1,995,283
Property and equipment and intangible assets		**(31,001,940)**	(32,118,888)
Other deductions		**(457,521)**	(867,175)
Total zakat base		**1,356,200**	1,940,615

Zakat is payable at 2.5 percent of zakat base.

22.3 PROVISION FOR ZAKAT

	31 December 2018	31 December 2017
Balance at the beginning of the year	**48,878**	54,518
Charge during the year *	**59,619**	61,410
Payments during the year	**(43,722)**	(67,050)
Balance at the end of the year	**64,775**	48,878

* Zakat charge for the year 2018 includes an amount of SR 97.2 million, which represents remaining reversal of the excess zakat paid to GAZT as a result of the restatement of consolidated financial statements for the years 2013 and 2014. The Company has submitted revised zakat returns for the said years during 2016.

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 CONTRACT BALANCES

	31 December 2018	1 January 2018*
Contract assets	**89,180**	67,140
Contract liabilities	**(151,259)**	(175,883)
	(62,079)	(108,743)

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the unredeemed customer loyalty points and the advance consideration received from customers for which revenue is recognized over time.

Significant change in the contract assets and contract liabilities balances during the period are as follows:

	2018	
	contract assets	**contract liabilities**
Revenue recognized that was included in the contract liability balance at the beginning of the period	**-**	**173,028**
Increase due to cash received, excluding amounts recognized as revenue during the period	**-**	**(148,404)**
Transfer from contact assets recognized at the beginning of the period	**(67,140)**	**-**
Increase as a result of change in the measure of the progress	**89,180**	**-**
	22,040	**24,624**

* The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018).

24 FINANCIAL ASSETS AND LIABILITIES

24.1 FINANCIAL ASSETS

	31 December 2018	31 December 2017
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	**7,271**	7,271
Derivatives financial instruments**	**8,095**	-
Total financial assets at fair value	**15,366**	7,271
Financial assets at amortized cost:		
Accounts receivables	**3,566,718**	3,682,548
Due from related parties	**58,215**	52,419
Other financial assets	**1,000,000**	1,000,000
Cash and cash equivalents	**1,032,850**	1,192,181
Total financial assets at amortized cost	**5,657,783**	5,927,148
Total financial assets	**5,673,149**	5,934,419
Current financial assets	**5,665,878**	5,927,148
Non-current financial assets	**7,271**	7,271
Total financial assets	**5,673,149**	5,934,419

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

24.2 FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Financial liabilities at fair value:		
Derivatives financial instruments**	**11,249**	-
Total financial liabilities at fair value	**11,249**	-
Financial liabilities at amortized cost:		
Loans and notes payable	**13,021,679**	14,879,672
Accounts payable	**5,154,712**	4,695,502
Due to related parties	**47,399**	92,590
Other financial liabilities	**299,640**	-
Total financial liabilities at amortized cost	**18,523,430**	19,667,764
Total financial liabilities	**18,534,679**	19,667,764
Current financial liabilities	**6,247,251**	6,198,730
Non-current financial liabilities	**12,287,428**	13,469,034
Total financial liabilities	**18,534,679**	19,667,764

* The fair value of these unquoted equity shares was categorized as level 3.
** The fair value of these derivatives financial instruments was categorized as level 2.

Fair values of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

At 31 December 2018, the Group had financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from profit rates that are subject to market price fluctuations.

At 31 December 2018, the Group had profit rate swap and profit rate CAP agreements in place with a total notional amount of SAR 2,000 million.

Level 2 derivative financial instruments, these derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

24.3 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges when appropriate, financial risks in close co-operation with the Group's operating units.

24.3.1 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from Cash and cash equivalents, accounts receivable, due from a related party, other financial assets and derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial asset are held with counterparties with sound credit ratings. The Group regularly updates its cash flow and, where appropriate, places any excess cash on short-term investments with reputable financial institutions.

Accounts receivable

The Group has established a credit policy under which credit assessment is being made to check the credit worthiness of major customers prior to signing the contracts/accepting their purchase orders.

The receivables are shown net of allowance for impairment of trade receivables**.**The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

The Group has two major customers representing 34% of total accounts receivable as at 31 December 2018 (31 December 2017: 29%). The rest of the balances do not have significant concentration of credit risk, with exposure spread over large number of counterparties and customers.

As at 31 December, the age analysis of net accounts receivable is as follows:

	31 December 2018	31 December 2017
Current	**641,897**	607,636
Within two months	**610,391**	553,916
From two months to three months	**149,297**	169,226
More than three months	**2,165,133**	2,351,770
	3,566,718	3,682,548

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

24.3 RISK MANAGEMENT (CONTINUED)

24.3.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Group monitors the actual cash flows and seeks to match the maturity dates of its financial assets and its financial liabilities.

The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

The following represents the maturities of financial liabilities at the reporting date based on undiscounted contractual cash flows:

	Less than one year	1 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2018					
Loans and notes payable	**1,697,387**	**10,480,937**	**3,434,230**	**15,612,554**	**13,021,679**
Accounts payable	**5,154,712**	**-**	**-**	**5,154,712**	**5,154,712**
Due to related parties	**47,399**	**-**	**-**	**47,399**	**47,399**
Other financial liabilities	**-**	**194,193**	**192,499**	**386,692**	**299,640**
Derivatives financial instruments	**11,249**	**-**	**-**	**11,249**	**11,249**
	6,910,747	**10,675,130**	**3,626,729**	**21,212,606**	**18,534,679**
At 31 December 2017					
Loans and notes payable	2,201,319	10,321,059	5,799,298	18,321,676	14,879,672
Accounts payable	4,695,502	-	-	4,695,502	4,695,502
Due to related parties	92,590	-	-	92,590	92,590
	6,989,411	10,321,059	5,799,298	23,109,768	19,667,764

24.3.3 MARKET RISK

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience and market feedback, the management does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk is relatively limited in the medium term.

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

24.3 RISK MANAGEMENT (CONTINUED)

24.3.3 MARKET RISK (CONTINUED)

Profit rates risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to market risk for changes in profit rates relates primarily to the Group's borrowings which were acquired to finance working capital requirements and capital expenditure. These borrowings are re-priced on a periodic basis and expose the Group to profit rate risk. The Group's practice is to manage its financing cost through optimizing available cash and minimizing borrowings.

The Group seeks to ensure that on the medium term a significant portion of its borrowings is at a fixed rate. This is achieved partly by entering into fixed rate instruments and partly by borrowing at a floating rate and using profit rate swaps and profit rate caps as hedges of the variability in cash flows attributable to movements in profit rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference profit rates, tenors, re-pricing dates, maturities and the notional amounts.

25 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors its capital base using a ratio of Net debt to Equity. Net debt is calculated as loans and notes payable and other financial liabilities less cash and cash equivalents and other financial assets.

The Group's Net debt to Equity ratio at the end of the year is as follows:

	31 December 2018	31 December 2017
Loans and notes payable and other financial liabilities	**13,321,319**	14,879,672
Less: Cash and cash equivalents and other financial assets	**(2,032,850)**	(2,192,181)
Net debt	**11,288,469**	12,687,491
Total equity	**13,869,316**	14,253,837
Net debt to Equity	**0.81**	0.89

26 STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company establishes at every financial year end a statutory reserve by the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

27 REVENUE

	Consumer	**Business**	**Wholesale**	**Outsourcing**	**Total**
31 December 2018					
Usage	**6,936,485**	**581,108**	**707,493**	**-**	**8,225,086**
Activation and subscription fees	**2,066,868**	**352,262**	**-**	**-**	**2,419,130**
Others	**580,742**	**404,894**	**108,768**	**126,292**	**1,220,696**
	9,584,095	**1,338,264**	**816,261**	**126,292**	**11,864,912**
31 December 2017					
Usage	7,319,945	575,045	562,430	-	8,457,420
Activation and subscription fees	1,716,305	399,105	-	-	2,115,410
Others	423,638	150,473	114,552	89,808	778,471
	9,459,888	1,124,623	676,982	89,808	11,351,301

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 COST OF SALES

	31 December 2018	31 December 2017
Network access charges	**1,344,506**	1,666,480
Rental and maintenance of network equipment expenses	**1,388,208**	1,333,061
Cost of utilized inventories	**769,367**	626,430
Government contribution fees in trade earnings	**1,016,608**	679,395
Frequency wave fees	**176,390**	154,019
National transmission and interconnection costs	**102,254**	110,277
License fees	**102,165**	49,339
Provision for inventory obsolescence	**(50,062)**	(8,942)
Others	**433,273**	210,935
	5,282,709	4,820,994

29 SELLING AND MARKETING EXPENSES

	31 December 2018	31 December 2017
Advertisement, promotion and sales commissions	**585,883**	466,500
Salaries, wages and employee benefits	**613,079**	687,573
Flagships rental expenses	**87,435**	80,030
	1,286,397	1,234,103

30 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
Salaries, wages and employees' benefits	**769,793**	638,354
Maintenance	**279,041**	333,722
Rentals	**84,902**	86,701
Consulting and professional services	**139,175**	79,753
Management fees	**(22,524)**	22,524
Travel and transportation	**18,774**	16,318
Board of Directors' remunerations and allowances	**3,121**	5,050
Others	**(524,898)**	267,450
	747,384	1,449,872

31 FINANCE EXPENSES

	31 December 2018	31 December 2017
Financing cost	**770,960**	668,538
Unwind of discount	**28,279**	9,905
	799,239	678,443

32 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

The diluted loss per share is same as the basic loss per share as the Group does not have any dilutive instruments in issue.

	31 December 2018	31 December 2017
Loss for the year	**(122,666)**	(708,941)
Weighted average number of shares	**770,000**	770,000
Basic and diluted loss per share (in SR)	**(0.16)**	(0.92)

(All amounts in Saudi Riyals thousands unless otherwise stated)

33 COMMITMENTS AND CONTINGENCIES

33.1 Commitments

Operating lease commitments – Group as lessee
The Group has entered into various commercial leases. Future minimum rentals payable are as follows:

	31 December 2018	31 December 2017
Within one year	**326,956**	361,138
After one year but not more than five years	**1,336,229**	901,771
More than five years	**636,757**	243,752

Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated statement of financial position date in the amount of SR 1.2 billion as at 31 December 2018 (31 December 2017: SR 1.97 billion).

33.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 769 million as at 31 December 2018 (31 December 2017: SR 717 million).

The CITC's violation committee has issued several penalty resolutions against the Group which the Group has opposed to in accordance with the Telecom Status and its implementing regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple lawsuits were filed by the Group against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

- There are (800) lawsuits filed by the Group against CITC amounting to SR 708 million as of 31 December 2018.
- The Board of Grievance has issued (223) verdicts in favor of the Group voiding (223) resolutions of the CITC's violation committee with a total penalties amounting to SR 477 million as of 31 December 2018.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 472 million as of 31 December 2018.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 31 December 2018, adequate and sufficient provisions have been recorded.

The Group had (11) legal cases filed against CITC in relation to the mechanism of calculating the governmental fees. On 15 December 2018, the Group entered into an agreement with the Ministry of Finance, the Ministry of Telecommunications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure. As a result of this settlement, all provisions related to the legal cases in connection with the mechanism of calculating the governmental fees have been reversed.

Furthermore, there are 179 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by such committee. The Company has received (5) preliminary verdicts and (149) final verdicts in its favor and (11) dismissals while (2) cases have been abandoned and (12) cases are on-going as of 31 December 2018.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the Saudi Arabia. The operating segments that are regularly reported to the CODM are Consumer, Business, Wholesale and Outsourcing.

The CODM used to receive other operational financial aggregates on a group consolidated level. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

	31 December 2018	31 December 2017
Consumer revenues	**9,584,095**	9,459,888
Business revenues	**1,338,264**	1,124,623
Wholesale revenues	**816,261**	676,982
Outsourcing revenues	**126,292**	89,808
Total revenue	**11,864,912**	11,351,301
Total cost of sales	**(5,282,709)**	(4,820,994)
Total operating expense	**(2,051,500)**	(2,884,681)
Depreciation and amortization	**(3,809,478)**	(3,626,355)
Impairment loss on property and equipment	**(118,333)**	-
Total non-operating expense	**(763,202)**	(666,802)
Capital expenditures	**2,819,174**	2,268,293

35 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

36 SUBSEQUENT EVENT

On 22 January 2019 (corresponding to 16 Jumada I 1440 H) the Company acquired 100 MHz bandwidth in the band 2600 MHz spectrum for a period of 15 years starting from 1 January 2020, to be paid in an equal installment during 15 years starting from 1 January 2020.