

ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (Unaudited)
For the three-months period ended 31 March 2018
Together with
Independent Auditors' Review Report

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Independent Auditors' Report On Review Of Interim Financial Statements

**To the Shareholders of Etihad Etisalat Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial statements of **Etihad Etisalat Company** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2018 ;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2018 ;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2018
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2018 ;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2018 ; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial statements of **Etihad Etisalat Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners
Certified Public Accountants**



Khalil Ibrahim Al Sedais
License No. 371

Riyadh on: 6 Shaaban 1439H
Corresponding to: 22 April 2018

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

As at

	Notes	Unaudited 31 March 2018	Audited 31 December 2017
Assets			
Non-current assets			
Property and equipment	5	23,082,218	23,428,341
Intangible assets	6	8,913,532	8,690,547
Capital advances		804,331	867,175
Financial assets		7,271	7,271
Total non-current assets		32,807,352	32,993,334
Current assets			
Inventories	7	103,452	140,582
Accounts receivable	8	3,485,151	3,682,548
Due from related parties	9	66,350	52,419
Prepaid expenses and other assets		1,557,642	1,426,059
Other financial assets		1,000,000	1,000,000
Cash and cash equivalents		1,175,130	1,192,181
Total current assets		7,387,725	7,493,789
Total assets		40,195,077	40,487,123
Equity and liabilities			
Equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Retained earnings		3,606,455	3,911,783
Foreign currency translation reserve		(7,632)	(6,917)
Total shareholders' equity		13,947,794	14,253,837
Non-current liabilities			
Loans and notes payable	10	13,225,943	13,469,034
Provision for employees' end of service benefits		387,856	379,412
Deferred revenue		61,302	66,875
Deferred government grants income		156,025	160,833
Other financial liabilities		157,733	-
Provision for decommissioning liability		224,039	221,518
Total non-current liabilities		14,212,898	14,297,672
Current liabilities			
Loans and notes payable	10	1,128,831	1,410,638
Accounts payable		5,385,053	4,808,002
Due to related parties	9	63,424	92,590
Accrued expenses and other liabilities		4,224,332	4,340,294
Provisions		1,153,072	1,215,981
Zakat provision		60,442	48,878
Deferred government grants income		19,231	19,231
Total current liabilities		12,034,385	11,935,614
Total liabilities		26,247,283	26,233,286
Total equity and liabilities		40,195,077	40,487,123

The attached notes from 1 to 15 are an integral part of these condensed consolidated interim financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)


(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-months period ended 31 March 2018	For the three-months period ended 31 March 2017
Revenue	12	2,832,511	2,865,064
Cost of sales		<u>(1,169,746)</u>	<u>(1,200,236)</u>
Gross profit		1,662,765	1,664,828
Selling and marketing		(454,575)	(295,481)
General and administrative		(179,359)	(385,185)
Impairment loss on accounts receivable	8	(6,756)	(67,793)
Depreciation and amortization	5,6	(935,596)	(896,601)
Other income		14,262	15,496
Operating profit		100,741	35,264
Finance expenses		(187,592)	(194,553)
Finance income		5,038	2,726
Loss before zakat		(81,813)	(156,563)
Zakat expense		(11,594)	(6,540)
Loss for the period		(93,407)	(163,103)
Loss per share:			
Basic and diluted loss per share (in SR)	13	<u>(0.12)</u>	<u>(0.21)</u>

The attached notes from 1 to 15 are an integral part of these condensed consolidated interim financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)


(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three- months period ended 31 March 2018	For the three- months period ended 31 March 2017
Loss for the period	(93,407)	(163,103)
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(715)	1,597
Net total items that will be reclassified subsequently to profit or loss	(715)	1,597
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Actuarial gains on re-measurement of employees' end of service benefits	1,657	5,483
Net total items that will not to be reclassified subsequently to profit or loss	1,657	5,483
Total other comprehensive income for the period	942	7,080
Total comprehensive loss for the period	(92,465)	(156,023)

The attached notes from 1 to 15 are an integral part of these condensed consolidated interim financial statements.



 Chief Financial Officer



 Chief Executive Officer



 Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)


For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation 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 period	-	-	(163,103)	-	(163,103)	-	(163,103)
Other comprehensive income for the period	-	-	5,483	1,597	7,080	-	7,080
Total comprehensive (loss) / income for the period	-	-	(157,620)	1,597	(156,023)	-	(156,023)
At 31 March 2017	7,700,000	2,648,971	4,457,500	(7,514)	14,798,957	1,500	14,800,457
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	-	-	(275,923)	-	(275,923)	-	(275,923)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,698,205	(6,917)	14,040,259	-	14,040,259
Loss for the period	-	-	(93,407)	-	(93,407)	-	(93,407)
Other comprehensive income / (loss) for the period	-	-	1,657	(715)	942	-	942
Total comprehensive loss for the period	-	-	(91,750)	(715)	(92,465)	-	(92,465)
As at 31 March 2018	7,700,000	2,648,971	3,606,455	(7,632)	13,947,794	-	13,947,794

The attached notes from 1 to 15 are an integral part of these condensed consolidated interim financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-months period ended 31 March 2018	For the three-months period ended 31 March 2017
OPERATING ACTIVITIES		
Cash flows from operating activities		
Loss for the period	(93,407)	(163,103)
Adjustments for:		
Change in provision for inventory obsolescence	5,691	5,646
Depreciation	848,829	814,643
Amortization of intangible assets	86,767	81,958
Provision for employees' end of service benefits	15,629	12,216
Provision for doubtful debts	6,756	67,793
Provisions	(62,909)	15,907
Government grants	(4,808)	(4,808)
Zakat provision	11,594	6,540
Gain on sale of property and equipment	(3,121)	(1)
Finance expenses	187,592	194,553
Finance income	(5,038)	(2,726)
Changes in:		
Accounts receivable	(85,282)	104,751
Inventories	31,439	(16,489)
Prepaid expenses and other assets	(25,586)	77,001
Accounts payable	428,203	(46,219)
Accrued expenses and other liabilities	(166,400)	(153,225)
Utilization of the decommissioning provision	(55)	-
Due from related parties	(13,931)	(17,667)
Due to related parties	(29,166)	24,377
Cash generated from operating activities	1,132,797	1,001,147
End of service benefits paid	(5,528)	(3,904)
Finance expenses paid	(161,887)	(120,636)
Zakat paid	(30)	-
Net cash generated from operating activities	965,352	876,607
INVESTING ACTIVITIES		
Other financial assets	-	(200,000)
Finance income received	4	5,794
Purchase of property and equipment	(447,638)	(594,120)
Proceeds from sales of property and equipment	4,787	2
Acquisition of intangible assets	-	(6,194)
Net cash used in investing activities	(442,847)	(794,518)
FINANCING ACTIVITIES		
Proceeds from loans and notes payable	-	8,143,222
Payment of loans and notes payable	(539,556)	(8,135,155)
Net cash (used in) / generated from financing activities	(539,556)	8,067
Net changes in cash and cash equivalents	(17,051)	90,156
Cash and cash equivalents at 1 January	1,192,181	866,109
Cash and cash equivalents at 31 March	1,175,130	956,265
Supplementary non-cash information		
Property and equipment purchased credited to capital expenditure	148,848	(619,628)

The attached notes from 1 to 15 are an integral part of these condensed consolidated interim financial statements.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(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 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 Al-Thani 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 at 31 March 2018 and 31 December 2017:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>		<u>Initial investment</u>
		<u>Direct</u>	<u>Indirect</u>	
Mobily Ventures Holding SPC	Bahrain	100.00%	-	2,510
Mobily InfoTech India Private Limited	India	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%	80,000
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%	9,500
Sehati for Information Service Company	Saudi Arabia	90.00%	10.00%	900
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%	184

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

The condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements for the year ended 31 December 2017.

The unaudited condensed consolidated interim financial statements have been approved for issuance on 22 April 2018 (corresponding to 6 Shaaban 1439H).

2.2 Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim 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 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA which are consistent with those that were applied in the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	<p>The Group offers free months (in addition to the contract term) of services to its prepaid FTTH customers as part of the promotional campaign.</p> <p>In this context, the Group's performance obligation extends to the provision of services across whole period including additional months.</p>	<p>Previously, the Group recognized revenue over the original contract term (i.e. excluding the free month entitlement).</p> <p>Under IFRS 15, revenue relating to such prepaid FTTH contracts is recognized across the complete term of the contract.</p>
Installation and set-up fee revenue	<p>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.</p> <p>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.</p>	<p>Previously, setup and installation fees were recognized as revenue, as and when they were invoiced to the customer.</p> <p>Under IFRS 15 such installation and set-up fee will be recognized as revenue over the contract term.</p>
Identification of performance obligations on GSM bundled products - Postpaid	<p>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.</p> <p>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.</p>	<p>Previously, device revenue was recognized based on their fair value net of discounts.</p> <p>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.</p>

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 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	<p>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.</p>	<p>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.</p> <p>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.</p>
Customers' unexercised rights	<p>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.</p>	<p>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.</p> <p>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.</p>
Costs to obtain contracts / Costs to fulfill contracts	<p>The Group incurs costs that are solely incremental to</p> <ul style="list-style-type: none"> - 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) <p>and would not otherwise be incurred.</p>	<p>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.</p> <p>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.</p>

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 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.

Ethihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 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 condensed consolidated interim 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 condensed consolidated interim statement of profit or loss. Any gain or loss on derecognition is recognized in condensed consolidated interim 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 condensed consolidated interim statement of profit or loss. Other net gains and losses are recognized in condensed consolidated interim statement of other comprehensive income. On derecognition, gains and losses accumulated in condensed consolidated interim statement of other comprehensive income are reclassified to condensed consolidated interim statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in condensed consolidated interim 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 condensed consolidated interim statement of other comprehensive income and are never reclassified to condensed consolidated interim statement of profit or loss.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (continued)

ii. Impairment of financial assets (continued)

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 condensed consolidated interim 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 condensed consolidated interim statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the condensed consolidated interim 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table summarizes the impact of adopting IFRS 15 and IFRS 9 on the Group's condensed consolidated interim financial statements for the three-months period ended 31 March 2018.

Impact on the condensed consolidated interim 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	23,082,218	-	-	23,082,218
Intangible assets	8,913,532	-	-	8,913,532
Capital advances	804,331	-	-	804,331
Financial assets	7,271	-	-	7,271
Total non-current assets	32,807,352	-	-	32,807,352
Current assets				
Inventories	103,452	-	-	103,452
Accounts receivable	3,485,151	-	234,602	3,719,753
Due from related parties	66,350	-	-	66,350
Prepaid expenses and other assets	1,557,642	(102,651)	-	1,454,991
Other financial assets	1,000,000	-	-	1,000,000
Cash and cash equivalents	1,175,130	-	-	1,175,130
Total current assets	7,387,725	(102,651)	234,602	7,519,676
Total assets	40,195,077	(102,651)	234,602	40,327,028
Equity and liabilities				
Equity				
Share capital	7,700,000	-	-	7,700,000
Statutory reserve	2,648,971	-	-	2,648,971
Retained earnings	3,606,455	(66,275)	234,602	3,774,782
Foreign currency translation reserve	(7,632)	-	-	(7,632)
Total shareholders' equity	13,947,794	(66,275)	234,602	14,116,121
Non-current liabilities				
Loans and notes payable	13,225,943	-	-	13,225,943
Provision for employees' end of service benefits	387,856	-	-	387,856
Deferred revenue	61,302	-	-	61,302
Deferred government grants income	156,025	-	-	156,025
Other financial liabilities	157,733	-	-	157,733
Provision for decommissioning liability	224,039	-	-	224,039
Total non-current liabilities	14,212,898	-	-	14,212,898
Current liabilities				
Loans and notes payable	1,128,831	-	-	1,128,831
Accounts payable	5,385,053	-	-	5,385,053
Due to related parties	63,424	-	-	63,424
Accrued expenses and other liabilities	4,224,332	(36,376)	-	4,187,956
Provisions	1,153,072	-	-	1,153,072
Zakat provision	60,442	-	-	60,442
Deferred government grants income	19,231	-	-	19,231
Total current liabilities	12,034,385	(36,376)	-	11,998,009
Total liabilities	26,247,283	(36,376)	-	26,210,907
Total equity and liabilities	40,195,077	(102,651)	234,602	40,327,028

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on the condensed consolidated interim 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	2,832,511	(2,594)	-	2,829,917
Cost of sales	(1,169,746)	2,065	-	(1,167,681)
Gross profit	1,662,765	(529)	-	1,662,236
Selling and marketing	(454,575)	(3,226)	-	(457,801)
General and administrative	(179,359)	-	-	(179,359)
Impairment loss on accounts receivable	(6,756)	-	(41,321)	(48,077)
Depreciation and amortization	(935,596)	-	-	(935,596)
Other income	14,262	(174)	-	14,088
Operating profit	100,741	(3,929)	(41,321)	55,491
Finance expenses	(187,592)	-	-	(187,592)
Finance income	5,038	-	-	5,038
Loss before zakat	(81,813)	(3,929)	(41,321)	(127,063)
Zakat expense	(11,594)	-	-	(11,594)
Loss for the period	(93,407)	(3,929)	(41,321)	(138,657)
Total comprehensive loss for the period	(92,465)	(3,929)	(41,321)	(137,715)

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4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim 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 significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2017, except for new significant judgments related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

4.1 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 condensed consolidated interim 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 condensed consolidated interim 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 remeasured 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.

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5 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	-	760	1,487	420,182	75,742	495	-	5,706	504,372
Reclassification	-	(3,559)	-	-	3,559	-	-	-	-
Transfers	-	-	-	197,554	4,768	-	-	(202,322)	-
Disposals	(1,518)	-	-	-	(4)	-	-	(148)	(1,670)
At 31 March 2018	<u>273,192</u>	<u>1,174,610</u>	<u>841,076</u>	<u>38,310,271</u>	<u>5,233,392</u>	<u>503,984</u>	<u>3,046</u>	<u>549,313</u>	<u>46,888,884</u>
Depreciation:									
At 1 January 2018	-	237,709	666,733	17,944,559	3,631,585	474,849	2,406	-	22,957,841
Charge for the period	-	18,039	11,836	676,956	139,051	2,884	63	-	848,829
Reclassification	-	(427)	-	-	427	-	-	-	-
Disposals	-	-	-	-	(4)	-	-	-	(4)
At 31 March 2018	<u>-</u>	<u>255,321</u>	<u>678,569</u>	<u>18,621,515</u>	<u>3,771,059</u>	<u>477,733</u>	<u>2,469</u>	<u>-</u>	<u>23,806,666</u>
Net book value:									
At 31 March 2018	<u>273,192</u>	<u>919,289</u>	<u>162,507</u>	<u>19,688,756</u>	<u>1,462,333</u>	<u>26,251</u>	<u>577</u>	<u>549,313</u>	<u>23,082,218</u>
At 31 December 2017	<u>274,710</u>	<u>939,700</u>	<u>172,856</u>	<u>19,747,976</u>	<u>1,517,742</u>	<u>28,640</u>	<u>640</u>	<u>746,077</u>	<u>23,428,341</u>

The Group has capitalized borrowing costs during the three-months ended 31 March 2018 amounting to SR 1.5 million (31 December 2017: SR 106 million) and internal technical salaries amounting to SR 40 million (31 December 2017: SR 169 million).

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6 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	309,752	-	-	-	309,752
31 March 2018	13,393,547	1,466,865	1,120,745	97,689	16,078,846
Amortization:					
1 January 2018	6,541,997	-	438,861	97,689	7,078,547
Charge for the period	66,126	-	20,641	-	86,767
31 March 2018	6,608,123	-	459,502	97,689	7,165,314
Net book value:					
At 31 March 2018	6,785,424	1,466,865	661,243	-	8,913,532
At 31 December 2017	6,541,798	1,466,865	681,884	-	8,690,547

7 INVENTORIES

During the three-months period ended 31 March 2018, the Group has a net written down of SR 5.7 million (three-month period ended 31 March 2017: a net written down of SR 5.6 million) of inventories. This expense is included in cost of sales in the condensed consolidated interim statement of profit or loss.

8 ACCOUNTS RECEIVABLE

	31 March 2018	31 December 2017
Accounts receivable	5,404,359	5,319,077
Less: provisions for doubtful debts	(1,919,208)	(1,636,529)
	3,485,151	3,682,548

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

	31 March 2018	31 December 2017
Opening balance	(1,636,529)	(2,710,913)
Adjustment on application of IFRS 9	(275,923)	-
Opening balance (adjusted)	(1,912,452)	(2,710,913)
Charge for the period / year	(6,756)	(233,896)
Written off during the period / year	-	1,308,280
Closing balance	(1,919,208)	(1,636,529)

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9 RELATED PARTIES TRANSACTIONS AND BALANCES

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

<u>Party</u>	<u>Relationship</u>
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 International Nigeria Limited	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
Etisalat Lanka (Pvt.) Limited	Subsidiary to Emirates Telecommunication Corporation
Emerging Markets Telecommunications Services Limited ("EMTS Nigeria")	Associate to Emirates Telecommunication Corporation
Thuraya Telecommunications Company PJSC ("Thuraya")	Associate 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:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Interconnection services and roaming services rendered	39,072	22,544
Interconnection services and roaming services received	72,299	17,315
Management fees	5,631	5,631
Other management expenses	14,894	17,210
Telecommunication services	1,167	1,657
Other services	-	20

<u>Balances with related parties</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
Balance due from	66,350	52,419
Balance due to	63,424	92,590

Compensation and benefits to key management personnel

	<u>31 March 2018</u>	<u>31 December 2017</u>
Short term employee benefits	12,974	13,748
Post-employment benefits	524	1,940
Total compensation and benefits to key management personnel	13,498	15,688

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.

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10 LOANS AND NOTES PAYABLE

	31 March 2018	31 December 2017
Long-term loans	14,354,774	14,879,672
Less: current portion	(1,128,831)	(1,410,638)
Non-current	<u>13,225,943</u>	<u>13,469,034</u>

a) Maturity profile of loans and notes payable:

	31 March 2018	31 December 2017
Less than one year	1,128,831	1,410,638
Between one to five years	10,664,168	8,380,034
Over five years	<u>2,561,775</u>	<u>5,089,000</u>

11 FINANCIAL ASSETS AND LIABILITIES

11.1 FINANCIAL ASSETS

	31 March 2018	31 December 2017
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,271	7,271
Total financial assets at fair value	<u>7,271</u>	<u>7,271</u>
Financial assets at amortized cost:		
Accounts receivables	3,485,151	3,682,548
Due from related parties	66,350	52,419
Other financial assets	1,000,000	1,000,000
Cash and cash equivalents	1,175,130	1,192,181
Total financial assets at amortized cost	<u>5,726,631</u>	<u>5,927,148</u>
Total financial assets	<u>5,733,902</u>	<u>5,934,419</u>
Current financial assets	5,726,631	5,927,148
Non-current financial assets	7,271	7,271
Total financial assets	<u>5,733,902</u>	<u>5,934,419</u>

* The fair value of these unquoted equity shares was categorized as level 3.

11.2 FINANCIAL LIABILITIES

	31 March 2018	31 December 2017
Financial liabilities at amortized cost:		
Loans and notes payable	14,354,774	14,879,672
Accounts payable	5,385,053	4,808,002
Due to related parties	63,424	92,590
Other financial liabilities	157,733	-
Total financial liabilities at amortized cost	<u>19,960,984</u>	<u>19,780,264</u>
Current financial liabilities	6,577,308	6,311,230
Non-current financial liabilities	13,383,676	13,469,034
Total financial liabilities	<u>19,960,984</u>	<u>19,780,264</u>

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

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12 REVENUE

	Consumer	Business	Wholesale	Outsourcing	Total
31 March 2018					
Usage	1,706,864	132,597	143,829	-	1,983,290
Activation and subscription fees	473,697	91,657	-	-	565,354
Others	146,869	87,271	23,627	26,100	283,867
	2,327,430	311,525	167,456	26,100	2,832,511
31 March 2017					
Usage	1,905,232	167,289	114,591	-	2,187,112
Activation and subscription fees	375,355	106,402	-	-	481,757
Others	113,304	31,571	32,622	18,698	196,195
	2,393,891	305,262	147,213	18,698	2,865,064

13 BASIC AND DILUTED LOSS PER SHARE

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

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 March 2018	31 March 2017
Loss for the period	(93,407)	(163,103)
Weighted average number of shares	770,000	770,000
Basic and diluted loss per share (in SR)	(0.12)	(0.21)

14 COMMITMENTS AND CONTINGENCIES

14.1 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 condensed consolidated interim statement of financial position date in the amount of SR 950 million as at 31 March 2018 (31 December 2017: SR 1.97 billion).

14.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 732 million as at 31 March 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 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 regulations, as follows:

- There are (678) lawsuits filed by the Group against CITC amounting to SR 701 million as of 31 March 2018.
- The Board of Grievance has issued (188) verdicts in favor of the Group voiding (188) resolutions of the CITC's violation committee with a total penalties amounting to SR 470 million as of 31 March 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 437 million as of 31 March 2018.

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14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

14.2 Contingent liabilities (continued)

In addition, 23 legal cases were filed by the Group against CITC in relation to the mechanism of calculating the governmental fees and other subjects. 16 of these cases are specifically related to the governmental fees. Out of these 16 cases, the Group received as of 31 March 2018, one preliminary favorable judgment, five final favorable judgments stating that the subject matter of such cases falls under the jurisdiction of the Ministry of Finance, four final favorable judgments (in Q1 2018) upon which the CITC filed a motion of reconsideration and three final favorable judgments (in Q1 2018). The remaining three cases are still being adjudicated before the Administrative Court. It is difficult to determine with a proper level of accuracy the due amount of claims due to the difference in the calculation method. Although the Company believes that these claims have no legal basis and recent developments reinforced this position, they may have a material impact on the Company's business in case of retroactive change in the regulatory framework which is difficult to assess.

The Group received additional claims from CITC during the three-months period ended 31 March 2018, considered the progress of the legal cases described above, and, on that basis, the Group has reassessed the provisions required against the claims as at 31 March 2018 and has recorded the resulting appropriate amount of provisions.

The Group is subject to litigations in the normal course of business. Management and Board of Directors believe that it has adequate and sufficient provisions based on the status of these litigations as of 31 March 2018.

Furthermore, there are 176 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 (6) preliminary verdicts and (142) final verdicts in its favor in these lawsuits and (14) cases have been either dismissed or abandoned and (14) cases are on-going as of 31 March 2018.

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 2016 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 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. During the year ended 31 December 2016, The Appeal Committee issued its ruling on certain zakat and withholding tax matters and those rulings issued against the Group have been appealed at the Higher Appeal Committee. The Higher Appeal Committees issued a certain rulings in favor of the company related to 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.

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15 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 March	31 March
	2018	2017
Consumer revenues	<u>2,327,430</u>	<u>2,393,891</u>
Business revenues	311,525	305,262
Wholesale revenues	167,456	147,213
Outsourcing revenues	<u>26,100</u>	<u>18,698</u>
Total revenue	<u>2,832,511</u>	<u>2,865,064</u>
Total cost of sales	(1,169,746)	(1,200,236)
Total operating expense	(626,428)	(732,963)
Depreciation and amortization	(935,596)	(896,601)
Total non-operating expense	(182,554)	(191,827)
Capital expenditures	814,124	353,643