Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Opinion
We have audited the accompanying consolidated financial statements of Saudi Telecom Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to these consolidated financial statements, including a summary of significant accounting policies.

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

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>
The Group's revenue consists primarily of subscription fees for telecommunication, data packages and use of the network totalling SR 52 billion for the year ended 31 December 2018.
With effect from 1 January 218, the Group adopted IFRS 15 "Revenue from Contracts with Customers" which impacted both how the Group recognizes revenue and the treatment of costs to obtain customers contracts. The Group applied the requirements of IFRS 15 retrospectively and restated prior years consolidated financial statements.
In order to adopt the new standard, management undertook a process to identify customer contracts relating to services provided. For each type of contract identified management determine the performance obligations that exist under the contract and the transaction price which represents revenue expected to be received under the contract. The revenue was then allocated to the performance obligations under the contract utilising a proportionate allocation method. Revenue is recognised proportionately as performance obligations are satisfied. Further, as per IFRS 15, the incremental costs incurred to obtain a customer under a contract are now capitalised and amortised over the expected life of the relationship with that customer. Previously these costs were expensed as incurred.
We considered this a key audit matter as the application of accounting standards for revenue recognition has a significant impact to the Group's consolidated financial statements and the complexity of the estimates and assumptions used in the application of the standard. In addition, there are inherent risks about the accuracy of revenues recorded due to the complexity associated with the network environment and significant dependency on IT applications, as well as the materiality of the amounts and volumes of transactions involved.
Refer to note 4.3 for revenue recognition policy and note 32 for details of group revenue and note 3 for the disclosure of the adoption of IFRS 15.
</td><td>
Our audit procedures included, among others, the following:

Involvement of IT specialists in testing the design, implementation and effectiveness of system internal controls related to revenue recognition.
Review of a sample of revenue reconciliations prepared by management between the primary billing system and the general ledger.
Performance of analytical procedures by comparing expectations of revenue with actual revenue on a monthly basis and analysed variances.
In relation to the criteria utilised by management to determine the appropriate level of revenue to be recognised we have, on a sample basis, tested

- The performance obligations identified were consistent with the terms and conditions in the underlying contract;

- The transaction price agreed to execute customer contract;

- The value of the performance obligations used in allocating the transaction prices were determined using market rates for each stand-alone service provided.
With respect to customer acquisition costs we have, on a sample basis:

- Tested the costs back to supporting documentation to assess that the costs were incremental in nature and incurred in the process of obtaining a customer contract;

- Tested that incremental costs are amortised over the expected life of the relationship with the customer; and

- Assessed the expected life of the relationship with the customer by observing past customer behaviour and internal customer churn data.
Assessment of the relevant disclosures in the consolidated financial statement.

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</table>

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for zakat and withholding tax claims from the General Authority of Zakat and Tax (GAZT)	
As at 31 December 2018, the Group received following claims from the GAZT, relating to Zakat and withholding tax: **Zakat:** The Group received the zakat assessments from its inception until 2011, which resulted in additional exposure. The Group challenged the claim and submitted its appeal which is underway before GAZT and the relevant committee. **Withholding Tax:** The Group received withholding tax assessments from the GAZT for the service of renting international operators' networks outside the Kingdom of Saudi Arabia for the years from 2004 to 2015. The Group's management believes that this service should not be subject to withholding tax and has objected against such assessments which are still underway before the relevant committee. We considered this as a key audit matter as accounting for zakat and withholding tax involves significant management estimates in addition to the materiality of the additional amounts claimed. *Refer to note 4.8 for zakat and withholding taxes policy and notes 31 and 43-E for disclosure of Group's zakat and withholding tax liabilities.*	Our audit procedures performed included, among others, the following: • Review of correspondences between the Group, the GAZT and the Group's consultants to determine the amount of the additional assessments made by the GAZT. • Attend meetings with those charged with governance and the management of the Group to obtain an update on the zakat and withholding tax matters and the results of their interactions with the relevant committees. • Use of specialist to assess the appropriateness of the exposures disclosed for both zakat and withholding tax for the years assessed by the GAZT and management's judgement in this matter. • Review of the prior year's decisions from the relevant committee on zakat assessment. • Assessed the related disclosures included in the consolidated financial statements of the Group.

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

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Allowance for impairment in trade receivable	
At 31 December 2018, the Group's trade receivables amounted to SR 15.6 billion against which an impairment allowance of SR 2.5 billion was maintained. The Group adopted IFRS 9 "Financial Instruments" during the year which requires the use of the expected credit loss (ECL) model instead of the incurred credit loss model under IAS 39. The Group applied the requirements of IFRS 9 retrospectively, and restated prior years consolidated financial statements. The adoption resulted in a transition adjustment of SR 173 million to the Group's equity as at 1 January 2018. We considered this as a key audit matter as ECL model involves complex calculations and use of assumptions by management. *Refer to notes 4 and 5 for trade receivables policy and critical accounting judgements and note 10 for the movement in Group's ECL.*	Our audit procedures performed included, among others, the following: • Assessment of the design, implementation, and operating effectiveness of the key controls over the following: - Recording of trade receivables and settlements. - Trade receivables aging reports. • Test of a sample of trade receivables to assess whether ECL has been recorded in a timely manner. • Assessment of significant assumptions, including collection rates, recovery rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss. • Testing the mathematical accuracy of the ECL model. • Assessment of the disclosures included in the consolidated financial statements of the Group.

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalization and useful lives of property, plant and equipment	
The Group has a substantial capital expenditure plan and therefore incurs significant annual expenditure in relation to the development and maintenance of both infrastructure assets and assets in relation to network and related equipment. Costs related to upgrading or enhancing networks are treated as capital expenditures. Expenses spent to maintain the network's operating capacity are recognized as expenses in the same year in which they are incurred. Capital projects often contain a combination of enhancement and maintenance activities that are difficult to separate, and therefore the distribution of costs between capital and operation depends heavily on management assumptions. Further, there are a number of areas where management, judgment impacts the carrying values and depreciation of property, plant and equipment which include: - Decision to capitalize or expense costs; - Review of the useful lives of property, plant, and equipment including the impact of changes in the Group's strategy; and - The timing of commencement of depreciation based on when they are ready for their intended use. We considered this as a key audit matter since it involves management's assumptions and estimates as well as the materiality of the amounts involved. *Refer to note 4.9 accounting policy of property, plant and equipment and note 7 for the related disclosures.*	Our audit procedures performed included, among others, the following: • Tested the effectiveness of the key controls in place over the capitalization of property, plant and equipment and assessed the Group's capitalisation policies. In addition to the above, we also performed the following procedures on the capitalized cost: • Assessed the Group's capitalisation policy for compliance with relevant accounting standards; • Tested the implementation of expenditure policy during the year, including review of minutes of meetings where capital expenditure plan was approved. • On a sample basis, we tested capitalisation of project expenses in compliance with the Group's capitalisation policy including instances where actual costs differed from the expenditure plan.

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

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Provisions related to government fees</td></tr>
<tr><td>During 2018, the Group reached an agreement with the Ministry of Finance, the Ministry of Communications & Information Technology and the authority of Communications and Information Technology ("Government Entities") regarding the basis of government fees calculation, and settlement of outstanding dispute related to prior years.

Based on the agreement the dispute related to government fees for the period from 1 January 2008 to 31 December 2017 was settled completely. In return, the Group committed to capital expenditure in its infrastructure consistent with the Kingdom of Saudi Arabia strategy of developing telecommunication infrastructure within a period of three years from 1 January 2018 according to the terms and conditions of the Settlement Agreement (Referred to as "Target Performance Indicators").

We considered this as a key audit matter due to the involvement of management's judgment and estimates in measuring the Target Performance Indicators as well as the materiality of the amounts involved.

Refer to note 4.13 for accounting policy of provision and notes 42.a and 43.f which disclose related provisions.</td><td>Our audit procedures performed included, among others, the following:

• Review of underlying agreement between the Group and Government Entities which included the agreed Target Performance Indicators;

• Review of management's assumptions for assessment of compliance with the Target Performance Indicators and the impact of these on the consolidated financial statements;

• Testing the mathematical accuracy of achieved Target Performance Indicators.

• Assessment of the disclosures included in the consolidated financial statements of the Group.</td></tr>
</table>

<table>
<tr><td colspan="2">Valuation of property, plant and equipment and intangible assets</td></tr>
<tr><td>As at 31 December 2018, the Group's consolidated financial position included property, plant and equipment amounting to SR 41.9 billion and intangible assets amounting to SR 9.5 billion.

The assessment of the recoverable value of these assets, or relevant cash-generating units ('CGUs'), involves significant judgment in respect of factors such as technological changes, challenging economic conditions, changing regulatory environment and restrictions, operating/capital costs and other economic assumptions used by the Group.

We considered this as a key audit matter as it involves management's assumptions and estimates as well as the materiality of the amounts involved.

Refer to note 4.11 for the related accounting policy and note 5.1.2 for the related disclosures.</td><td>Our audit procedures performed included, among others, the following:

• Test of design and implementation of the internal controls to assess the Group's determination of impairment of assets, if any.

• Reviewed management's impairment indicator testing.

• Assessed management's assumptions and estimates used to determine the recoverable value of the assets by based on our knowledge of the Group and the industry it operates in.

• Assessment of management's methods of identification of individual CGUs.

• Assessed mathematical accuracy of cash flow models.

• Assessment of the disclosures included in the consolidated financial statements of the Group.</td></tr>
</table>

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Independent auditor's report
To the Shareholders of Saudi Telecom Company (continued)
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Other Information Included in the Group's 2018 Annual Report
The Board of Directors of the Group (the "Board") are responsible for the other information in its annual report. Other information consists of the information included in the Group's 2018 annual report, other than the consolidated financial statements and our auditor's report thereon. The Group's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 Group's 2018 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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Independent auditor's report
To the Shareholders of Saudi Telecom Company (continued)
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

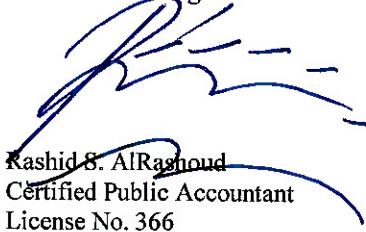
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
License No. 366

Riyadh: 13 Rajab 1440H
(20 March 2019)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	***31 December 2018***	*31 December 2017 (Restated – Note 3)*	*1 January 2017 (Restated-Note 3)*
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	**41,920,409**	39,940,616	39,407,579
Intangible assets and goodwill	8	**9,560,119**	7,174,575	7,259,148
Investments in associates and joint ventures	19	**6,581,733**	6,908,653	6,301,641
Contract costs	13	**1,030,129**	1,091,254	1,131,085
Contract assets	14	**504,042**	276,842	64,676
Financial assets	15	**3,373,016**	7,793,291	7,401,610
Other non-current assets	12	**371,621**	860,851	259,051
TOTAL NON-CURRENT ASSETS		**63,341,069**	64,046,082	61,824,790
CURRENT ASSETS				
Inventories	9	**787,456**	482,281	474,516
Trade and other receivables	10	**14,422,178**	20,368,531	14,335,511
Short term murabahas	11	**9,685,491**	14,465,364	15,004,490
Contract assets	14	**8,117,463**	5,211,211	6,019,946
Financial assets	15	**5,488,245**	335,487	432,501
Other current assets	12	**1,952,878**	1,006,073	935,532
Cash and cash equivalents	17	**8,153,865**	2,567,044	3,631,202
TOTAL CURRENT ASSETS		**48,607,576**	44,435,991	40,833,698
TOTAL ASSETS		**111,948,645**	108,482,073	102,658,488
EQUITY AND LIABILITIES				
EQUITY				
Issued capital	20	**20,000,000**	20,000,000	20,000,000
Statutory reserves	21	**10,000,000**	10,000,000	10,000,000
Other reserves	22	**(1,903,878)**	(1,775,390)	(1,935,473)
Retained earnings		**37,417,562**	34,637,791	32,622,215
Equity attributable to the holders of the Parent Company		**65,513,684**	62,862,401	60,686,742
Non-controlling interests		**1,147,914**	939,180	1,255,725
TOTAL EQUITY		**66,661,598**	63,801,581	61,942,467
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term borrowings	23	**3,965,479**	4,005,980	4,017,231
Provisions	24	**891,910**	1,203,152	1,122,266
Provision for end of service benefit	26	**3,919,362**	3,922,065	3,776,269
Deferred income	25	**2,144,290**	990,275	670,139
Contract liabilities	27	**771,915**	773,165	775,638
Other financial liabilities	28	**1,526,259**	59,755	208,963
Other non-current liabilities	29	**32,726**	87,227	90,887
TOTAL NON-CURRENT LIABILITIES		**13,251,941**	11,041,619	10,661,393
CURRENT LIABILITIES				
Trade and other payables	30	**16,670,958**	13,155,927	13,908,388
Short term borrowings	23	**320,533**	647,763	1,867,220
Provisions	24	**6,829,451**	7,633,280	5,686,284
Zakat and income tax liabilities	31	**1,465,775**	1,507,881	1,378,960
Deferred income	25	**41,141**	96,431	81,654
Contract liabilities	27	**2,538,940**	3,261,695	2,961,889
Other financial liabilities	28	**90,731**	54,640	44,138
Other current liabilities	29	**4,077,577**	7,281,256	4,126,095
TOTAL CURRENT LIABILITIES		**32,035,106**	33,638,873	30,054,628
TOTAL LIABILITIES		**45,287,047**	44,680,492	40,716,021
TOTAL EQUITY AND LIABILITIES		**111,948,645**	108,482,073	102,658,488

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	***2018***	*2017 (Restated-Note 3)*
Revenues	32	**51,963,243**	50,661,335
Cost of revenues	33	**(21,416,928)**	(22,105,926)
GROSS PROFIT		**30,546,315**	28,555,409
OPERATING EXPENSES			
Selling and marketing	34	**(5,463,212)**	(5,608,634)
General and administration	35	**(5,247,348)**	(4,516,029)
Depreciation and amortisation	7 & 8	**(7,590,530)**	(7,444,735)
TOTAL OPERATING EXPENSES		**(18,301,090)**	(17,569,398)
OPERATING PROFIT		**12,245,225**	10,986,011
OTHER INCOME AND EXPENSES			
Cost of early retirement		**(450,000)**	(600,000)
Finance income	36	**554,909**	584,682
Finance costs	37	**(398,814)**	(353,542)
Other income, net		**102,943**	85,036
(Loss) / gain from investments in associates and joint ventures, net		**(10,605)**	305,591
Other losses, net	38	**(215,493)**	(18,405)
TOTAL OTHER INCOME AND EXENSES		**(417,060)**	3,362
NET PROFIT BEFORE ZAKAT AND TAX		**11,828,165**	10,989,373
Zakat and income tax	31	**(747,667)**	(720,700)
NET PROFIT		**11,080,498**	10,268,673
Net profit attributable to:			
Equity holders		**10,779 ,771**	10,015,576
Non-controlling interests		**300,727**	253,097
		11,080,498	10,268,673
Basic and diluted earnings per share (In Saudi Riyals)	39	**5.39**	**5.01**

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements

Saudi Telecom Company
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	***2018***	*2017 (Restated-Note 3)*
NET PROFIT		**11,080,498**	10,268,673
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to consolidated statement of profit or loss:			
Re-measurement of end of service benefit provision	26	**13,414**	(117,361)
Fair value changes on equity instruments at fair value through other comprehensive income (FVTOCI)		**113,543**	90,557
Total items that will not be reclassified subsequently to consolidated statement of profit or loss		**126,957**	(26,804)
Items that will be reclassified subsequently to consolidated statement of profit or loss:			
Foreign currency translation differences		**(10,003)**	6,875
Share of other comprehensive loss of associates and joint ventures, net		**(247,317)**	(30,603)
Total items that will be reclassified subsequently to consolidated statement of profit or loss		**(257,320)**	(23,728)
OTHER COMPREHENSIVE LOSS		**(130,363)**	(50,532)
TOTAL COMPREHENSIVE INCOME		**10,950,135**	10,218,141
Total comprehensive income attributable to:			
Equity holders		**10,651,283**	9,958,319
Non-controlling interests		**298,852**	259,822
		10,950,135	10,218,141

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	***2018***	*2017 (Restated-Note 3)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat and tax		**11,828,165**	10,989,373
Adjustments for:			
Depreciation and amortisation	7 & 8	**7,590,530**	7,444,735
Amortisation and impairment loss of contract costs and assets	33&34	**623,136**	579,468
Impairment loss on trade receivables	10	**741,583**	848,495
Write-down of inventory	9	**31,863**	124,487
Finance income	36	**(554,909)**	(584,682)
Finance costs	37	**398,814**	353,542
Provision for end of service benefits and other provisions		**1,293,581**	2,806,935
Loss / (Gain) from investments in associates and joint ventures, net		**10,605**	(305,591)
Other losses, net	38	**215,493**	18,405
Operating profit before working capital adjustments		**22,178,861**	22,275,167
Movements in working capital:			
Trade and other receivables		**5,274,505**	(8,298,267)
Inventories		**(337,038)**	(132,252)
Contract costs		**(477,758)**	(404,074)
Contract assets		**(3,339,955)**	1,756,702
Other assets		**(1,210,921)**	(702,237)
Trade and other payables		**3,246,720**	410,636
Deferred income		**1,098,725**	374,007
Contract liabilities		**(724,005)**	(1,027,978)
Other liabilities		**(5,482,112)**	2,813,388
Cash generated from operations		**20,227,022**	17,065,092
Less: Zakat and income tax paid	31	**(690,934)**	(649,427)
Less: Provision for end of service benefits paid	26	**(521,861)**	(499,614)
Net cash from operating activities		**19,014,227**	15,916,051
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(8,406,935)**	(6,576,858)
Additions to intangible assets		**(1,350,151)**	(1,359,313)
Proceeds from sale of property, plant and equipment		**123,283**	13,375
Purchase of interest in an associate		**-**	(375,095)
Dividends received from associates		**-**	41,077
Proceeds from finance income		**595,731**	752,261
Proceeds and payments related to financial assets, net		**4,129,233**	498,916
Net cash used in investing activities		**(4,908,839)**	(7,005,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(8,054,671)**	(8,019,234)
Acquisition cost of non-controlling interests in a subsidiary	16.2	**-**	(437,382)
Repayment of borrowings		**(635,710)**	(3,298,573)
Proceeds from borrowing		**303,936**	1,924,461
Finance costs paid		**(130,517)**	(149,454)
Net cash used in financing activities		**(8,516,962)**	(9,980,182)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**5,588,426**	(1,069,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,567,044**	3,631,202
Net foreign exchange difference		**(1,605)**	5,610
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	**8,153,865**	2,567,044

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements

Saudi Telecom Company
A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(All Amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	*Issued capital (Note 20)*	*Statutory reserves (Note 21)*	*Other reserves (Note 22)*	*Retained earnings*	*Total equity Attributable to equity holders of the Parent Company*	*Non-controlling interests (Note 16-2)*	*Total equity*
Balance as at 1 January 2017, as previously reported		20,000,000	10,000,000	(1,935,833)	31,877,188	59,941,355	1,336,976	61,278,331
Impact of adoption of IFRS 9 and IFRS 15		-	-	360	745,027	745,387	(81,251)	664,136
Balance as at 1 January 2017 (as restated)		20,000,000	10,000,000	(1,935,473)	32,622,215	60,686,742	1,255,725	61,942,467
Net profit (as restated)		-	-	-	10,015,576	10,015,576	253,097	10,268,673
Other comprehensive loss		-	-	(57,257)	-	(57,257)	6,725	(50,532)
Total comprehensive income (as restated)		-	-	(57,257)	10,015,576	9,958,319	259,822	10,218,141
Dividends paid to shareholders	45	-	-	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Acquisition of non-controlling interest	16.2	-	-	67,474	-	67,474	(546,772)	(479,298)
Dividends paid to non-controlling interests		-	-	-	-	-	(29,595)	(29,595)
Other reserves	22	-	-	149,866	-	149,866	-	149,866
Balance as at 31 December 2017 (as restated)		20,000,000	10,000,000	(1,775,390)	34,637,791	62,862,401	939,180	63,801,581
At 1 January 2018		**20,000,000**	**10,000,000**	**(1,775,390)**	**34,637,791**	**62,862,401**	**939,180**	**63,801,581**
Net profit		**-**	**-**	**-**	**10,779,771**	**10,779,771**	**300,727**	**11,080,498**
Other comprehensive loss		**-**	**-**	**(128,488)**	**-**	**(128,488)**	**(1,875)**	**(130,363)**
Total comprehensive income		**-**	**-**	**(128,488)**	**10,779,771**	**10,651,283**	**298,852**	**10,950,135**
Dividends paid to shareholders	45	**-**	**-**	**-**	**(8,000,000)**	**(8,000,000)**	**-**	**(8,000,000)**
Dividends paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(90,118)**	**(90,118)**
Balance as at 31 December 2018		**20,000,000**	**10,000,000**	**(1,903,878)**	**37,417,562**	**65,513,684**	**1,147,914**	**66,661,598**

The accompanying notes from 1 to 46 form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

A) ESTABLISHMENT OF THE COMPANY

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35 dated 24 Dhul Hijja 1418H (corresponding to 21 April 1998) that authorised the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418H (corresponding to 20 April 1998) that approved the Company's by-laws ("By-laws"). The Company was wholly-owned by the Government of the Kingdom of Saudi Arabia (the "Government"). Pursuant to the Council of Ministers' Resolution No. 171 dated 2 Rajab 1423H (corresponding to 9 September 2002) the Government sold 30% of its shares.

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

B) GROUP ACTIVITIES

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

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

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

An additional consolidated statement of financial position as at 1 January 2017 has been presented as a result of the adoption of IFRS 9 and 15 (Note 3.2).

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

2.2 Basis of consolidation

The consolidated financial statements of the Group comprises the financial information of the Company and its subsidiaries (refer to note 16).

Control is achieved when 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 with the investee
- The ability to use its power over the investee to affect its returns

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the 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 (or dercognised) in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

2.2 Basis of consolidation (continued)

Changes in the Group's ownership interests in subsidiaries that do not result in losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 New and revised IFRSs in issue but not yet effective

3.1.1 IFRS 16 “Leases”

IFRS 16 ‘Leases’ was published in January 2016 and will be effective for Group from 1 January 2019, replacing IAS 17 ‘Leases’. IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group has not early adopted the standard and so transition to IFRS 16 will take place on 1 January 2019. The Group is currently in process of assessing the financial impact of application of IFRS 16 on the Group’s consolidated financial statements.

Few other amendments to IFRS and IFRIC that are applicable from the date mentioned against each of the amendment and interpretation:

Amendments and interpretations	Effective Date
Amendments to IFRS 9 'Financial Instruments' - Prepayments features with negative compensation	1 January 2019
Amendments to IAS 19 ‘Employee Benefits’ - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' – Long-term interests in Associates and Joint Ventures	1 January 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	1 January 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 New standards issued and adopted

3.2.1 IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and measurement" for annual periods beginning on or after 1 January 2018. IFRS 9 addresses classification, measurement and derecognition requirements for financial assets and liabilities and introduces new rules on hedging and impairment requirements for financial assets.

The Group has adopted IFRS 9 retrospectively from 1 January 2017, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. (see Note 3.2.3)

3.2.2 IFRS 15 "Revenue from contracts with customers"

IFRS 15 replaces the standards IAS 11 "construction contracts" and IAS 18 "revenue" and their related interpretations. IFRS 15 applies to all contracts with customers except for those covered by other standards. IFRS 15 is delivered in five-step model to recognize revenue from contracts with customers.

The Group has adopted IFRS 15 retrospectively from 1 January 2017, in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. (see Note 3.2.3)

3.2.3 The impact of applying the new and revised IFRS standards

The Group has adopted IFRS 9 and IFRS 15 retrospectively which resulted into the following remeasurement and reclassification adjustments:

- **Consolidated statement of financial position as at 1 January 2017:**

	As reported earlier under IAS 18 and 39	*Adjustments due to adoption of IFRS 9*	*Adjustments due to adoption of IFRS 15*	*As restated under IFRS 9 and 15*
Intangible assets and goodwill (b)	7,840,443	-	(581,295)	7,259,148
Contract cost (b)	-	-	1,131,085	1,131,085
Contract assets (c)	-	(52,581)	6,137,203	6,084,622
Trade and other receivables (a,c)	19,768,149	218,663	(5,651,301)	14,335,511
Others (e)	74,168,296	(131)	(320,043)	73,848,122
Total assets	101,776,888	165,951	715,649	102,658,488
Trade and other payables	13,885,561	(1,145)	23,972	13,908,388
Contract liabilities (d)	-	-	3,737,527	3,737,527
Deferred income (d)	4,262,618	-	(3,510,825)	751,793
Others	22,350,378	-	(32,065)	22,318,313
Total liabilities	40,498,557	(1,145)	218,609	40,716,021
Retained earnings (b,d)	31,877,188	167,096	577,931	32,622,215
Others	29,401,143	-	(80,891)	29,320,252
Total liabilities and equity	101,776,888	165,951	715,649	102,658,488

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 New standards issued and adopted (continued)

3.2.3 The impact of applying the new and revised IFRS standards (continued)

- **Consolidated statement of financial position as at 31 December 2017:**

	As reported earlier under IAS 18 and 39	*Adjustments due to adoption of IFRS 9*	*Adjustments due to adoption of IFRS 15*	*As restated under IFRS 9 and 15*
Intangible assets and goodwill (b)	7,773,839	-	(599,264)	7,174,575
Contract cost (b)	-	-	1,091,254	1,091,254
Contract assets (c)	-	(53,072)	5,541,125	5,488,053
Trade and other receivables (a,c)	25,549,424	225,732	(5,406,625)	20,368,531
Others (e)	74,789,541	-	(429,881)	74,359,660
Total assets	108,112,804	172,660	196,609	108,482,073
Trade and other payables	13,827,806	(1,451)	(670,428)	13,155,927
Contract liabilities (d)	-	-	4,034,860	4,034,860
Deferred income (d)	4,635,523	-	(3,548,817)	1,086,706
Others	26,404,802	-	(1,803)	26,402,999
Total liabilities	44,868,131	(1,451)	(186,188)	44,680,492
Retained earnings (b,d)	34,010,412	173,016	454,363	34,637,791
Others	29,234,261	1,095	(71,566)	29,163,790
Total liabilities and equity	108,112,804	172,660	196,609	108,482,073

- **Consolidated statement of profit or loss for the year ended 31 December 2017:**

	As reported earlier under IAS 18 and 39	*Adjustments due to adoption of IFRS 9*	*Adjustments due to adoption of IFRS 15*	*As restated under IFRS 9 and 15*
Revenue (c)	50,746,675	-	(85,340)	50,661,335
Cost of revenue (b)	(21,255,477)	-	(850,449)	(22,105,926)
Selling and distribution expenses (b)	(5,726,280)	5,616	112,030	(5,608,634)
General and administration expenses	(4,471,573)	-	(44,456)	(4,516,029)
Depreciation and amortisation (b)	(8,208,360)	-	763,625	(7,444,735)
Finance cost	(354,199)	657	-	(353,542)
Others	(360,651)	(353)	(2,792)	(363,796)
Net profit	10,370,135	5,920	(107,382)	10,268,673

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 New standards issued and adopted (continued)

3.2.3 The impact of applying the new and revised IFRS standards (continued)

- **Consolidated statement of comprehensive income for the year ended 31 December 2017:**

	As reported earlier under IAS 18 and 39	*Adjustments due to adoption of IFRS 9*	*Adjustments due to adoption of IFRS 15*	*As restated under IFRS 9 and 15*
Net profit	10,370,135	(107,382)	5,920	10,268,673
Items that will not be reclassified subsequently to consolidated statement of profit or loss:				
Re-measurement of end of service benefit provision	(117,361)	-	-	(117,361)
Fair value changes on equity instruments measured at fair value through other comprehensive income (FVOCI)	-	-	90,557	90,557
Total items that will not be reclassified subsequently to consolidated statement of profit or loss	(117,361)	-	90,557	(26,804)
Items that will be reclassified subsequently to consolidated statement of profit or loss:				
Foreign currency translation differences	(17,962)	-	24,837	6,875
Fair value changes on available-for-sale financial assets, net	90,557	-	(90,557)	-
Share of other comprehensive loss of associates and joint ventures, net	-	-	(30,603)	(30,603)
Total items that will be reclassified subsequently to consolidated statement of profit or loss	72,595	-	(96,323)	(23,728)
OTHER COMPREHENSIVE LOSS	(44,766)	-	(5,766)	(50,532)
TOTAL COMPREHENSIVE INCOME	10,325,369	(107,382)	154	10,218,141

- **Consolidated statement of cash flows for the year ended 31 December 2017:**

	As reported earlier under IAS 18 and 39	*Adjustments*	*As restated under IFRS 9 and 15*
Net cash from operating activities	16,700,155	(784,104)	15,916,051
Net cash used in investing activities	(7,789,741)	784,104	(7,005,637)
Net cash used in financing activities	(9,980,182)	-	(9,980,182)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 New standards issued and adopted (continued)

3.2.3 The impact of applying the new and revised IFRS standards (continued)

- **Changes due to the adoption of IFRS 9:**

The adoption of IFRS 9 has not had a significant impact on the Group's accounting policies related to financial assets or liabilities except for the reclassification of financial assets and new requirements for impairment loss calculation.

The following table sets out the original measurement categories in accordance with IAS 39 as well as the new measurement categories in accordance with IFRS 9 of the Group's financial assets as at 1 January 2017:

	Original classification amount under IAS 39	*New classification under IFRS 9*	*Original book value under IAS 39*	*New book value under IFRS 9*
Financial Assets				
Diversified investment portfolio	Fair value through profit or loss	Fair value through profit or loss	3,986,104	3,986,104
Trade receivables and others (a,c)	Loans and receivables	Amortized cost	19,768,149	14,335,511
Investments in murabahas and sukuk	Loans and receivables	Amortized cost	2,731,914	2,731,914
Other investments	Loans and receivables	Amortized cost	701,088	701,088
Short term murabahas	Loans and receivables	Amortized cost	15,004,490	15,004,490
Cash and cash at banks	Loans and receivables	Amortized cost	3,631,202	3,631,202
Investments in funds	Available for sale Investments	Fair value through other comprehensive income	415,005	415,005

(a) Impairment of financial assets

IFRS 9 requires the use of the expected credit loss model instead of the incurred credit loss model under IAS 39.

- **Changes due to the adoption of IFRS 15**

(b) Contract costs

Under IAS 18, contract costs related to commission (cost to obtain a contract) and installation service (cost to fulfil a contract) were expensed as incurred as it was not qualified to be recognized as an asset under any other accounting standards. Upon adoption IFRS 15, these were capitalized as contract costs and included as assets in the consolidated statement of financial position. Commission costs considered as cost to obtain a contract because these costs are incremental costs and the Group expects to recover those costs. Installation costs considered as cost to fulfil a contract with a customer and are not within the scope of another standard. The Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

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

(c) Contract assets

Under IFRS 15, if the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, the Group shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is the Group right to consideration in exchange for goods or services that the Group has transferred to a customer. There was no significant change due to this change; except for reclassification between receivables and contract assets.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 New standard issued and adopted (continued)

3.2.3 The impact of applying the new and revised IFRS standard (continued)

- **Changes due to the adoption of IFRS 15 (continued)**

(d) Contract liabilities

Prepaid Subscription Revenue
Previously, the Group recognized prepaid subscription revenue based on “Months”; however, as a result of IFRS 15 adoption, it is recognized based on “Days” resulting in increase in contract liabilities and decrease in retained earnings.

Installation fees
Under IAS 18, revenue was recognized upfront when the installation was completed. Under IFRS 15, the installation service is not considered a separate performance obligation and therefore a one-time installation fee is added to the total transaction price and recognized over the period of service delivery, resulting in a change in timing of revenue recognition.

(e) Reclassification
Reclassifications and adjustments resulting from the adoption of IFRS 15.

3.3 IFRS issued and applied

Following are other amendments to IFRS and IFRIC adopted by the Group during the year without a material impact:

Amendments and interpretations	Effective Date
IFRIC 22 'Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2 'Share-based Payment': Clarification of the classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4 ‘Insurance Contracts’ - Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'	1 January 2018 (Optional)
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	1 January 2018
Annual Improvements to IFRS Standards 2014 – 2016 Cycle	1 January 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method upon transfer of control to the Group. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of profit or loss as incurred.

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

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

Goodwill is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value at the acquisition-date of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts recognised at the acquisition date.

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

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

If goodwill is not allocated to designated cash-generating units because of an incomplete initial calculation, the initial impairment loss will not be tested unless impairment indicators are available to enable the Group to distribute the carrying amount of the goodwill on the cash generating units or the group of cash generating units expected to benefit of the benefits of business combination. Where goodwill is allocated to the cash generating unit and part of the operations of that unit is disposed of, goodwill associated with the discontinued operation will be included in the carrying amount when determining the gain or loss on disposal of the operation. The goodwill in such circumstances is measured on the basis of a value of similar disposed operation and the remaining portion of the cash-generating unit.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Business combinations (continued)

If the initial accounting for the business combination is not completed by the end of the reporting period which constitutes the period in which the combination occurred, the Group present the items whose value calculation has not been completed in a temporary manner in the consolidated financial statements. During the measurement period, which is not more than one year from the acquisition date, the temporary value recognized on the acquisition date is retroactively adjusted to reflect the information obtained about the facts and circumstances that existed at the date of acquisition and if it is determined that this will affect the measurement of amounts recognized as of that date. The Group recognizes additional assets or liabilities during the measurement period if new information about facts or circumstances existed at the date of the aquisation and if it will result in recognition of assets or liabilities from that dat. The measurement period ends once the group obtains those information existed at the acquisition date or as soon as it becomes sure of the lack of access to more information.

4.2 Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement and has rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are holding– directly or indirectly – voting rights in the investee, representation on the board of directors or equivalent governing body of the investee, participation in policy-making, including participation in decisions about dividends or other distributions; material transactions between the Group and its investee; interchange of managerial personnel; or provision of essential technical information.

The investment in associates or joint ventures are accounted for in the consolidated financial statement of the Group using the equity method of accounting. The investment in associates or joint ventures in the consolidated statement of financial position is initially recognises at cost and adjusted thereafter to recognise the Group’s share of the profit and loss and other comprehensive income of the associate or joint venture adjusted for any impairment in the value of net investment. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses.

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

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of IFRS are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associate or a joint venture. The carrying amount of the investment in an associate or a joint venture is tested for impairment in accordance with the policy described in note (5-1-2).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Investments in associates and joint ventures (continued)

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

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

4.3 Revenue recognition

Revenue is recognized based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or services to a customer.

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

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

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

Product and services	Nature and timing of satisfaction of performance obligation
Telecommunication services	Telecommunication services include voice, data and text services. The Group recognizes revenue as and when these services are provided (i.e. actual usage by the customer).
Bundled packages	Arrangements involving multiple products and services are separated into individual items and revenue is recognized on the basis of fair value (standalone selling prices) of the individual items by allocating the total arrangament consideration to the individual items on the basis of the relative value of the selling prices of the individual items. Items are separable if they are of separate value to the customer.
Devices	The Group recognizes revenue when the control of the device is transferred to the customer. This usually occurs at the contract inception when the customer takes the possession of the device.

Dividend income from investments in equity instrument is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

4.4 Leasing

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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. If the contract does not transfer it substantially, the contract is classified as an operating lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Leasing (continued)

Leased assets:
Finance leases are recognized at the commencement of the lease as assets and liabilities in the consolidated statement of financial position at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments and then lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve the remaining balance of the liability. Finance charges are recognised in the consolidated statement of profit or loss.

At the beginning of the contract or when reviewed, the Group separates payments and other amounts required under the contract into lease payments and payments to other items based on the relative fair value.

The leased asset is depreciated over the estimated useful life of the asset. Where there is no reasonable assurance that the asset ownership will be transferred to the Group at the end of the contract term, the asset is depreciated over the useful life of the asset or lease period, whichever is lower.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are exhausted. The benefits received and accrued are also allocated as an incentive to enter into an operating lease on a straight-line basis over the lease term. The total benefit from the incentive is recognized as a reduction of the lease expense on a straight-line basis unless another basis better represents the period during which the economic benefits of the leased asset are exhausted. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leased out assets:
Operating lease income is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. The benefits granted as an incentive to enter into an operating lease are also distributed on a straight-line basis over the lease term. The aggregate benefit from the incentive is recognized as a reduction of rental income on a straight-line basis unless another basis better represents the period during which the economic benefits of the leased asset are exhausted.

Amounts due from finance leases are recognized as receivables in an amount equal to the Group's net investment in the lease. The rental payment receivable is treated as a payment of the original amount as financing income to compensate the Group for its investment and services. The incremental costs which are directly associated with the lease negotiation process are included in the amounts due and the amount of financing income recognized over the period of the contract is reduced.

In case the Group considers the lease as a manufacturer or a seller at the beginning of the contract, revenue are recognized at the fair value of the asset or the present value of the outstanding lease payments and the cost of revenue and gain or loss resulting from the sale are recognized directly. Additional costs directly associated with the negotiation of the lease contract incurred by the Group as a manufacturer or seller are recognized as an expense at the beginning of the lease term.

4.5 Foreign currencies

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Foreign currencies (continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise in limited circumstances.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's shareholders are reclassified to the consolidated statement of profit or loss. For all partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to the consolidated statement of profit or loss.

4.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

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

4.7 Employee benefits

4.7.1 Retirement benefit costs and end of service benefits

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

Provision for employees' end of service benefits is made in accordance with the projected unit credit method as per IAS 19 *Employee Benefits* taking into consideration the labour law of the respective country in which the subsidiary operates. The provision is recognised based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference the Kingdom of Saudi Arabia interest rate swap curve or other basis, if applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Employee benefits (continued)

4.7.1 Retirement benefit costs and end of service benefits (continued)

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

The cost of past services (if any) is recognized in the consolidated statement of profit or loss before:
- Date of modification of the program or labor downsizing; and
- The date on which the Group recognizes the related restructuring costs.

Net commission is calculated using the discount rate to net identifiable assets or liabilities. The Group recognizes the following changes in the net benefit obligation identified under "cost of income", "general and administrative expenses" and "selling and marketing expenses" in the consolidated statement of profit or loss (by function):
- Costs of services that include the costs of current services, past service costs, profits and losses resulting from labour downsizing and non-routine payments.
- Net financing cost or income.

4.7.2 Short-term employee benefits

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

4.8 Zakat and Taxation

4.8.1 Zakat

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

4.8.2 Current and deferred taxes

Tax relating to investee companies outside the Kingdom of Saudi Arabia is calculated in accordance with tax laws applicable in those countries.

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

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

4.9 Property, plant and equipment

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

Cost of telecommunication network and equipment comprises all expenditures up to the customer connection point, including contractors’ charges, direct materials and labour costs up to the date the relevant assets are placed in service.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Property, plant and equipment (continued)

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

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

Depreciation is charged so as to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss within other operating income or expenses. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.10 Intangible assets other than goodwill

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

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

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

Licences with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.10.3 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 recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Impairment of tangible and intangible assets other than goodwill

At the end of each finical year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

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

4.12 Inventories

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

4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and can be estimated reliably.

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

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

4.14 Assets' decommissioning liabilities

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Financial instruments

4.15.1 Recognition, classification and presentation

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group has classified all the non-derivative financial liabilities measured at amortised cost.

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

4.15.2 Measurement

4.15.2.1 Initial measurement

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

4.15.2.2 Subsequent measurement of financial assets

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

a. Financial assets measured at amortised cost:
Assets that are held to collect contractual cash flows are measured at amortised cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income.

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

c. Financial assets measured at fair value through other comprehensive income
The financial carried at fair value through other comprehensive income ("FVTOCI") are measured at each reporting date without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Financial instruments (Continued)

4.15.2.2 Subsequent measurement of financial assets (continued)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15.2.3 Subsequent measurement of financial liabilities

a. Amortised cost

The Group should classify all financial liabilities at amortised cost and remeasured subsequently as such, except for;

- Financial liabilities at FVTPL;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach;
- Commitments to provide a loan at a below-market interest rate and not measured at fair value though profit or loss;
- Financial guarantee contracts;
- Contingent consideration recognised at fair value by the Group in a business combination to which IFRS 3 applies (Such contingent consideration shall subsequently be measured at fair value with changes recognised in the consolidated statement of profit or loss).

Gains or losses on financial liabilities that are measured at fair value and (that are not generally part of a hedging relationship) are recognised in consolidated statement of profit or loss. except for gains and losses on certain financial liabilities designated as at FVTPL when the entity is required to present the effects of changes in the liability's credit risk in the consolidated statement of comprehensive income.

b. Liabilities at fair value through profit or loss

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

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

Gains or losses on a financial liability designated as at FVTPL are generally split and presented as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that financial liability is presented in the consolidated statement of comprehensive income.
- the remaining amount of change in the fair value of the financial liability is presented in the consolidated statement of profit or loss.

c. Liabilities other than financial liabilities at FVTPL

Financial liabilities are measured at amortised cost using the effective interest rate. The proceeds from issuing debt are adjusted over the life of the debt so that the carrying amount at maturity is the amount repayable at maturity. Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements.

4.15.3 Impairment of financial instruments

With respect to impairment of financial assets, IFRS 9 requires the use of the expected credit loss model instead of the incurred credit loss model under IAS 39, whereby, the Group assesses the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Accordingly, the provision for impairment of financial instruments is measured by the amount of the expected credit losses over the life of the financial instrument. If credit risk of the financial instrument has not increased significantly since initial recognition, then 12 month ECL is used to provide for impairment loss. For trade receivables and contact assets, the Group applies a simplified approach to measure the provision for impairment loss in an amount equal to the expected credit loss over the life of the financial instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Financial instruments (continued)

4.15.4 Derecognition of financial assets

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

4.15.5 Derecognition of financial liabilities

The financial liabilities are derecognised when and only when the under-lying obligations are extinguished, cancelled or expires.

4.15.6 Offsetting of financial instruments

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

- The Group currently has a legally enforceable right to set off the recognised amounts of the asset and liability; and
- The Group intends to settle on a net basis exists, or to realise the asset and settle the liability simultaneously.

4.16 Cash and cash equivalents

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

4.17 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure in the consolidated financial statement purposes is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

4.18 Segmental Information

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving uncertain estimations (see note 5.2 below), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statement.

5.1.1 Revenue recognition

Gross versus net presentation

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

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

5.1.2 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

5.2 Key sources of estimation uncertainty

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.2 Key sources of estimation uncertainty (continued)

5.2.1 Arrangements with multiple deliverables

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

5.2.2 Customer activation service fees

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

5.2.3 Financial instruments designated at FVTPL

The Group has established a diversified investment portfolio which has been designated at FVTPL. In estimating the fair value of the investments, the Group uses market-observable data to the extent available.

5.2.4 Provisions

In respect of provisions including decommissioning provision, the Group provides for anticipated outflows of resources considered probable. Estimates are used in assessing the likely amount of the settlement. The ultimate liability may vary from the amounts provided and would be dependent on the eventual outcome. See note 24 for details.

5.2.5 Useful lives for property, plant and equipment, software and other intangible assets

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

5.2.6 Provision for impairment losses on trade receivables and contract assets

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

The Group recognises an allowance for impairment loss of 100% against all trade receivables that are aged over 360 days, except for balances with related parties and balances of which credit quality did not deteriorate based on historical experience of the Group.

6. SEGMENT INFORMATION

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, profits and assets relate to its operations in the Kingdom (STC KSA and STC Channels). Outside of the Kingdom, the Group operates through its subsidiaries, associates and joint ventures in several countries.

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

The disclosed operating segments exceeded the 75% threshold and therefore all other operating segments are combined and disclosed as "Other segments".

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

	2018	*2017 (Restated-note 3)*
Revenues (1)		
Saudi Telecom Company	**39,356,283**	41,445,230
STC Channels	**5,371,771**	3,055,095
Other operating segments (2)	**9,502,560**	8,349,196
Eliminations / adjustments	**(2,267,371)**	(2,188,186)
Total revenues	**51,963,243**	50,661,335
Cost of operations (excluding depreciation and amortisation)	**(32,127,488)**	(32,230,589)
Depreciation and amortisation	**(7,590,530)**	(7,444,735)
Cost of early retirement	**(450,000)**	(600,000)
Finance income	**554,909**	584,682
Finance cost	**(398,814)**	(353,542)
Other income, net	**102,943**	85,036
(Loss) / profit from investments in associates and joint ventures, net	**(10,605)**	305,591
Other losses, net	**(215,493)**	(18,405)
Zakat and income tax	**(747,667)**	(720,700)
Net profit	**11,080,498**	10,268,673

(1) Segment revenue reported above represents revenue generated from external and internal customers. There were SR 2,267 million for the year ended 31 December 2018 (31 December 2017: SR 2,188 million) inter-segment sales and adjustments in the current year eliminated at consolidation.

(2) Others include: Viva Kuwait, Viva Bahrain, Intigral, STC Specialized and STC Solutions, Sapphire and Aqalat.

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

	2018	*2017 (Restated-note 3)*
Saudi Telecom Company	**25,481,775**	24,543,045
STC Channels	**1,314,707**	698,456
Other operating segments	**3,795,174**	3,730,057
Eliminations / adjustments	**(45,341)**	(416,149)
Gross profit	**30,546,315**	28,555,409

6. SEGMENT INFORMATION (CONTINUED)

For the purpose of monitoring the performance of segments, assets/liabilities are allocated to segments and no assets and liabilities are used mutually between segments.

The following is an analysis of the assets and liabilities on a segment basis as at 31 December:

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Assets			
Saudi Telecom Company	**119,460,448**	116,900,875	109,887,049
STC Channels	**3,333,662**	2,595,865	2,192,516
Other operating segments	**19,539,165**	17,813,702	16,409,513
Eliminations / Adjustments	**(30,384,630)**	(28,828,369)	(25,830,590)
Total Assets	**111,948,645**	108,482,073	102,658,488
Liabilities			
Saudi Telecom Company	**41,576,064**	41,600,776	36,186,344
STC Channels	**2,068,819**	1,544,043	926,047
Other operating segments	**10,512,261**	8,946,143	8,804,278
Eliminations / Adjustments	**(8,870,097)**	(7,410,470)	(5,200,648)
Total Liabilities	**45,287,047**	44,680,492	40,716,021

Following are the additions to non-current assets based on the segments for the year ended 31 December:

	2018	*2017 (Restated-note 3)*
Additions to non-current assets		
Saudi Telecom Company	**11,373,307**	7,446,573
STC Channels	**56,427**	59,715
Other operating segments	**1,118,474**	792,756
	12,548,208	8,299,044

Information about major customers

Included in revenues arising from sales are revenues of approximately SR 5,938 million for the year ended 31 December 2018 (31 December 2017: SR 5,355 million) that arose from sales to the Government and Government entities (see note 18.2). No other single customers contributed 10% or more to the Group's revenue.

Information about geographical areas

Geographical segmentation of revenues and non-current assets are as follows:

	Revenues for the year ended		***Non-current assets as at***		
	31 December 2018	*31 December 2017 (Restated-note 3)*	***31 December 2018***	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Kingdom of Saudi Arabia	**47,323,610**	46,035,112	**53,862,288**	54,452,787	52,663,015
Others	**4,639,633**	4,626,223	**9,478,781**	9,593,295	9,161,775
	51,963,243	50,661,335	**63,341,069**	64,046,082	61,824,790

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	*Telecommunication network and equipment*	*Other assets*	*Capital work in progress*	*Total*
Cost					
As at 1 January 2018	**14,681,829**	**77,627,211**	**7,873,489**	**3,667,103**	**103,849,632**
Additions	**23,258**	**120,579**	**64,551**	**8,206,522**	**8,414,910**
Disposals / transfers	**187,278**	**6,035,287**	**523,934**	**(8,200,628)**	**(1,454,129)**
Effect of foreign currency exchange differences	**-**	**(13,608)**	**(200)**	**(462)**	**(14,270)**
As at 31 December 2018	**14,892,365**	**83,769,469**	**8,461,774**	**3,672,535**	**110,796,143**
Accumulated depreciation					
As at 1 January 2018	**8,381,477**	**50,315,490**	**5,212,049**	**-**	**63,909,016**
Depreciation for the year	**367,828**	**5,154,889**	**382,275**	**-**	**5,904,992**
Disposals / transfers	**(224,986)**	**(597,738)**	**(123,272)**	**-**	**(945,996)**
Effect of foreign currency exchange differences	**-**	**7,537**	**185**	**-**	**7,722**
As at 31 December 2018	**8,524,319**	**54,880,178**	**5,471,237**	**-**	**68,875,734**
Net book value as at 31 December 2018	**6,368,046**	**28,889,291**	**2,990,537**	**3,672,535**	**41,920,409**

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	*Telecommunication network and equipment*	*Other assets*	*Capital work in progress*	*Total*
Cost					
As at 1 January 2017	14,540,020	72,965,751	7,454,850	3,365,652	98,326,273
Additions	4,486	57,223	49,248	6,853,665	6,964,622
Disposals / transfers	137,094	4,571,728	368,818	(6,553,729)	(1,476,089)
Effect of foreign currency exchange differences	229	32,509	573	1,515	34,826
As at 31 December 2017	14,681,829	77,627,211	7,873,489	3,667,103	103,849,632
Accumulated depreciation					
As at 1 January 2017	8,112,372	45,856,742	4,949,580	-	58,918,694
Depreciation for the year	354,885	5,152,444	376,586	-	5,883,915
Disposals / transfers	(86,079)	(735,334)	(113,282)	-	(934,695)
Effect of foreign currency exchange differences	299	41,638	(835)	-	41,102
As at 31 December 2017	8,381,477	50,315,490	5,212,049	-	63,909,016
Net book value as at 31 December 2017	6,300,352	27,311,721	2,661,440	3,667,103	39,940,616
Net book value as at 1 January 2017	6,427,648	27,109,009	2,505,270	3,365,652	39,407,579

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

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- Land and buildings include land of SR 2,200 million as at 31 December 2018 (31 December 2017: SR 2,177 million and 1 January 2017: SR 2,173 million).

- Pursuant to Royal Decree No. M/35 Dated 24 Dhu al-Hijjah 1418 (corresponding to April 21, 1998), referred to in Note 1-A, the ownership of the Assets was transferred to the Company on 2 May 1998, but the transfer of legal title for some lands are still ongoing. Legally transferred lands up to 31 December 2018 are amounted to SR 1,879 million (2017: SR 1,879 million), Ownership transfer of the remaining lands is ongoing with total value of SR 144 million (2017: SR 144 million).

- During the year, the Group disposed of assets with a net book value of SR 414 million (31 December 2017: SR 262 million) resulting in a loss on sale of property, plant and equipment amounting to SR 291 million (31 December 2017: SR 249 million) (see note 38).

- Following is the breakdown of depreciation expense if allocated to operating costs items for the year ended 31 December:

	2018	*2017*
Cost of revenues	**4,859,647**	4,893,304
Selling and marketing expenses	**31,472**	37,019
General and administrative expenses	**1,013,873**	953,592
	5,904,992	5,883,915

- Property, plant and equipment include land and buildings owned by a subsidiary that are pledged against murabaha borrowings amounting to SR 108 million (31 December 2017: SR 108 million and 1 January 2017: SR 93 million).

8. INTANGIBLE ASSETS AND GOODWILL

	Computer software	*Telecommunication Licenses*	*Others (1)*	*Total*
Cost				
As at 1 January 2018	**9,492,799**	**4,971,203**	**1,936,258**	**16,400,260**
Additions	**1,052,228**	**2,724,417**	**356,653**	**4,133,298**
Disposals/Transfers	**(134,146)**	**-**	**(222,266)**	**(356,412)**
Effect of foreign currency exchange differences	**-**	**-**	**(191)**	**(191)**
As at 31 December 2018	**10,410,881**	**7,695,620**	**2,070,454**	**20,176,955**
Accumulated amortisation and impairment				
As at 1 January 2018	**6,460,526**	**1,899,032**	**866,127**	**9,225,685**
Amortisation for the year	**1,166,098**	**378,114**	**141,326**	**1,685,538**
Disposals/Transfers	**(129,146)**	**-**	**(164,476)**	**(293,622)**
Effect of foreign currency exchange differences	**-**	**-**	**(765)**	**(765)**
As at 31 December 2018	**7,497,478**	**2,277,146**	**842,212**	**10,616,836**
Net book value at 31 December 2018	**2,913,403**	**5,418,474**	**1,228,242**	**9,560,119**

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Computer software	*Telecommunication Licenses*	*Others (1)*	*Total*
Cost				
As at 1 January 2017 (Restated – note 3)	8,112,281	4,969,812	2,057,579	15,139,672
Additions	1,252,929	-	81,493	1,334,422
Disposals/Transfers	(4,370)	-	(176,250)	(180,620)
Effect of foreign currency exchange differences	131,959	1,391	(26,564)	106,786
As at 31 December 2017 (Restated – note 3)	9,492,799	4,971,203	1,936,258	16,400,260
Accumulated amortisation and impairment				
As at 1 January 2017 (Restated – note 3)	5,333,222	1,697,346	849,956	7,880,524
Amortisation for the year	1,101,994	201,289	257,537	1,560,820
Disposals/Transfers	(4,370)	-	(176,250)	(180,620)
Effect of foreign currency exchange differences	29,680	397	(65,116)	(35,039)
As at 31 December 2017 (Restated – note 3)	6,460,526	1,899,032	866,127	9,225,685
Net book value at 31 December 2017 (Restated – note 3)	3,032,273	3,072,171	1,070,131	7,174,575
Net book value at 1 January 2017 (Restated – note 3)	2,779,059	3,272,466	1,207,623	7,259,148

(1) Others relate to contractual-based intangible assets, for example under-sea cable network, franchise agreements and goodwill of SR 75.6 million (31 December 2017: 75.6 million and 1 January 2017: SR 75.6 million).

The following useful lives are used in the calculation of amortisation:

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

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The net book value and expiry dates of the most significant mobile operating licences are as follows at:

Country	*End of amortisation period*	***31 December 2018***	*31 December 2017*	*1 January 2017*
Kuwait	October 2033	**1,933,493**	2,063,841	2,194,189
Bahrain	February 2038	**730,375**	691,127	723,386
Kingdom of Saudi Arabia	May 2026	**2,754,606**	317,203	354,891
		5,418,474	3,072,171	3,272,466

Following is the breakdown of amortisation expense if allocated to operating costs items for the year ended 31 December:

	2018	*2017 (Restated-note 3)*
Cost of revenues	**550,947**	562,800
Selling and distribution expenses	**23,282**	120,977
General and administration expenses	**1,111,309**	877,043
	1,685,538	1,560,820

9. INVENTORIES

	31 December 2018	*31 December 2017* (Restated – note 3)	*1 January 2017* (Restated – note 3)
Goods held for resale	**1,128,454**	905,593	801,210
Less: Allowance for write-down	**(340,998)**	(423,312)	(326,694)
	787,456	482,281	474,516

The movement analysis for allowance for write down is as follows for the year ended 31 December:

	2018	*2017*
Balance at beginning of the year	**423,312**	326,694
Reversal/write off during the year	**(114,177)**	(27,869)
Provision for the year	**31,863**	124,487
Balance at end of the year	**340,998**	423,312

10. TRADE AND OTHER RECEIVABLES

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Trade receivables	**15,516,973**	21,579,781	16,373,307
Deduct: allowance for impairment loss	**(2,546,712)**	(2,509,534)	(2,796,832)
	12,970,261	19,070,247	13,576,475
- Non trade receivables	**1,451,917**	1,298,284	759,036
	14,422,178	20,368,531	14,335,511

10.1 Trade receivables

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The requirement for impairment in relation to key customers and related parties are analysed on an individual basis. Retail customers and other minor receivables are assessed for impairment on a collective basis.

Ageing analysis of trade receivables follows:

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Not past due	**464,011**	2,519,640	2,731,427
Past due:			
1 – 30 days	**1,814,988**	1,882,199	1,232,103
31 – 90 days	**1,443,925**	878,334	982,567
91 – 150 days	**1,687,290**	1,489,091	1,435,565
151 – 270 days	**2,761,160**	2,028,146	1,873,930
271 – 365 days	**731,356**	1,023,528	1,655,135
>365 days	**6,614,243**	11,758,843	6,462,580
Total	**15,516,973**	21,579,781	16,373,307

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

	2018	*2017 (Restated-note 3*
Balance at beginning of the year	**2,509,534**	2,796,832
Charged during the year (Note 34)	**741,583**	848,495
Amounts written off during the year	**(704,405)**	(1,135,793)
Balance at end of the year	**2,546,712**	2,509,534

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

10.2 Government and government related entities

Trade receivables balance from Government and Government entities are amounting to SR 12,343 million as at 31 December 2018 (31 December 2017: SR 18,920 million and 1 January 2017: SR 12,596 million) (see Note 18.2). No other clients represent more than 10% of the total balance of trade receivables.

Receivable aging from government entities and government related entities is as follows:

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Less than a year	**6,936,884**	7,187,855	6,798,621
More than one year to two years	**5,367,424**	6,751,021	4,080,746
More than two years	**38,416**	4,981,162	1,716,281
	12,342,724	18,920,038	12,595,648

11. SHORT TERM MURABAHAS

The Group invests part of its excess cash in Murabahas that have maturity of 91 days or more with several local banks, with an annual profit rate ranging from 2% to 5% (31 December 2017: 2% to 6%).

12. OTHER ASSETS

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Advances	**1,425,088**	1,251,533	501,563
Prepaid expenses	**628,119**	175,233	219,717
Deferred expenses	**99,355**	249,309	445,867
Others	**171,937**	190,849	27,436
	2,324,499	1,866,924	1,194,583
Current	**1,952,878**	1,006,073	935,532
Non-current	**371,621**	860,851	259,051
	2,324,499	1,866,924	1,194,583

13. CONTRACT COSTS

	Costs to obtain the contracts (1)	***Costs to fulfil the contracts (2)***	***Total***
As at 31 December 2018	**174,357**	**855,772**	**1,030,129**
As at 31 December 2017 (Restated - note 3)	102,706	988,548	1,091,254
As at 1 January 2017 (Restated - note 3)	85,982	1,045,103	1,131,085

13. CONTRACT COSTS (CONTINUED)

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

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

Following is the allocation of contract costs amortization and impairment losses among operating costs items:

	2018	*2017 (Restated-note 3)*
Cost of revenues	**373,644**	388,470
Selling and marketing expenses	**42,989**	55,436
	416,633	443,906

14. CONTRACT ASSETS

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Unbilled revenue	**8,709,224**	5,524,376	6,145,792
Less: Allowance for impairment losses	**(87,719)**	(36,323)	(61,170)
	8,621,505	5,488,053	6,084,622
Current	**8,117,463**	5,211,211	6,019,946
Non-current	**504,042**	276,842	64,676
	8,621,505	5,488,053	6,084,622

Contract assets are initially recognized for revenue earned from rendering of telecom services, sale of devices, and construction contracts for which no bills were issued. Upon completion of billing cycle, the amounts recognized as contract assets are reclassified to trade receivables.

15. FINANCIAL ASSETS

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Financial assets measured at FVTPL (i)	**3,115,185**	4,148,368	3,986,104
Financial assets at amortised cost			
Sukuk (iv)	**1,490,137**	1,559,371	1,422,602
Murabahas (i) (ii)	**2,250,746**	1,186,173	1,309,312
Loans to employees (iii)	**524,417**	612,918	632,726
Non trade receivables and other loans (v)(vi)	**86,174**	86,314	68,362
	4,351,474	3,444,776	3,433,002
Financial assets designated at FVTOCI (vii)	**1,394,602**	535,634	415,005
	8,861,261	8,128,778	7,834,111
Current	**5,488,245**	335,487	432,501
Non-current	**3,373,016**	7,793,291	7,401,610
	8,861,261	8,128,778	7,834,111

(i) During 2014, The Company established a diversified investment portfolio with high credit rated local and international banks with an amount of SR 4 billion for a period that does not exceed five years and with full principal protection. The portfolio contain a mix of various murabaha's (fixed profit payable at maturity), Sukuk's (paying fixed coupons) and derivative financial instruments. The portfolio provides a minimum guaranteed return and additional upside return based on performance of the derivative financial instruments. During 2018, a portion of this investment amounting to SR 1,061 million was liquidated and reinvested in a one-year Murabaha agreement with an annual profit rate of 1.42%.

(ii) During 2014, The Company has invested SR 1 billion with a local bank in Murabahas agreements for a five-year term with an annual profit margin of 3%.

The investments in Murabaha agreements are not a past due nor impaired with a carrying value of SR 2,128 million as at 31 December 2018 (31 December 2017: 1,083 million and 1 January 2017: SR 1,156 million).

(iii) The Company has provided its employees interest-free loans to acquire residential housing and motor vehicles for a period of 25 years and 4 years, respectively. The repayment is made in equal instalments over the term of the loan duration while the employee remains in service, otherwise, they are required to be repaid in full upon the employee leaving the Company. Any new loans provided to an employee after June 2016 are being funded through a local commercial bank and are secured by a guarantee issued by the Company. The Company bears loans' finance costs in full.

(iv) On 31 December 2007, STC Asia Holdings Limited (a subsidiary), invested Malaysian Ringgit ("MR") 1,508 million in Sukuk for 50 years (callable after 10 years) with an annual profit margin of 10.75% until 28 December 2017 then 9.25% for subsequent periods. The Sukuk investment was financed by a long term loan with variable commission for ten years denominated in MR, for an equivalent amount. The loan was due on 28 December 2017 and was fully paid. STC Asia Holding Limited acquired a variable commission loan on 28 December 2017 from several banks on a five year repayment period. These Sukuk are not past due or impaired and their carrying amount is SR 1,490 million as at 31 December 2018 (31 December 2017: SR 1,559 million and 1 January 2017: SR 1,423 million).

(v) A subsidiary of STC Channels has placed a term deposit amounting to SR 2 million as at 31 December 2018 (31 December 2017: SR 2 million and 1 January 2017: 2 million) with a local commercial bank in Oman.

15. FINANCIAL ASSETS (CONTINUED)

(vi) A Group subsidiary, Telecom Commercial Investment Company, has supplier retentions amounting to SR 80 million as at 31 December 2018 (31 December 2017: SR 80 million and 1 January 2017: SR 80 million).

(vii) Financial assets investments designated at fair value through other comprehensive income consist mainly of the Company's investment in units of STC Ventures Fund which is a fund investing in emerging, small and medium-sized companies operating in the field of Communications and Information Technology in Saudi and other global markets. Investment units owned by the Group were valued at SR 614 million as at 31 December 2018 (31 December 2017: SR 501 million and 1 January 2017: SR 409.4 million).

During 2017, the Company established another ventures' capital investment fund (STV LP) for the purpose of investing in the digital and technical sectors with a total value of US $ 500 million equivalent to SR 1,875 million, the fund is to be financed in the future by five equal instalments with value of US $ 100 million equivalent to SR 375 million. During 2018, the first and second instalments were paid in total of US $ 200 million (equivalent to SR 750 million). Investment units owned by the Company were valued at SR 781 million as at 31 December 2018 (31 December 2017: SR 30 million). The Fund commenced its commercial operations in 2018. The Fund's head office is located in Riyadh and invests internationally in high-growth private technology companies.

16. SUBSIDIARIES

Subsidiaries owned by the Company are as follows:

Name of subsidiary		*Country of incorporation*	*Effective shareholding percentage*		
			31 December 2018	*31 December 2017*	*1 January 2017*
Arabian Internet and Communications Services Company Limited ("STC Solutions")	A	Kingdom of Saudi Arabia	**100%**	100%	100%
Telecom Commercial Investment Company Limited ("TCIC")	B	Kingdom of Saudi Arabia	**100%**	100%	100%
VIVA Bahrain ("Viva Bahrain")	C	Kingdom of Bahrain	**100%**	100%	100%
Aqalat Company Limited ("Aqalat")	D	Kingdom of Saudi Arabia	**100%**	100%	100%
STC Specialized	E	Kingdom of Saudi Arabia	**100%**	100%	100%
Sapphire Company Limited ("Sapphire")	F	Kingdom of Saudi Arabia	**100%**	100%	100%
STC Turkey Holdings Limited ("STC Turkey")	G	British Virgin Islands	**100%**	100%	100%
STC Asia Holdings Limited ("STC Asia")	H	British Virgin Islands	**100%**	100%	100%
STC Gulf Investment Holding S.P.C. ("STC Gulf")	I	Kingdom of Bahrain	**100%**	100%	100%
STC Channels	J	Kingdom of Saudi Arabia	**100%**	100%	60%
Kuwait Telecom Company ("Viva Kuwait")	K	Kuwait	**51.8%**	51.8%	51.8%
Communication Towers Co. Ltd.	L	Kingdom of Saudi Arabia	**100%**	-	-

a. Arabian Internet and Communications Services Company Limited ("STCS") was established in the Kingdom of Saudi Arabia in April 2002 and is engaged in providing internet services, operation of communications projects and transmission and processing of information in the Saudi market. In December 2007, STC acquired 100% of share capital of the Arabian Internet and Communications Services Company Limited, amounting to SR 100 million.

During the fourth quarter of 2017, STCS has established as subsidiary company "Saudi Digital Payments Company Limited" in the Kingdom, the main activity is to provide operating system services,
e-commerce and e-trading.

16. SUBSIDIARIES (CONTINUED)

b. TCIC was established in the Kingdom of Saudi Arabia in October 2007 with a capital of SR 1 million in purpose of operation and maintenance of telecommunication networks, computer systems' networks and internet networks, maintenance, operation and installation of telecommunication and information technology systems and programs in the Saudi market.

c. Viva Bahrain was established in the Kingdom of Bahrain in February 2009 with a capital of BD 75 million equivalent to about SR 746 million at the exchange rate as of that date. Viva Bahrain operates in the field of all mobile telecommunication services, international telecommunications, broadband and other related services in the Bahraini market, and commenced its commercial operation on 3 March 2010. During the first quarter of 2018, Viva Bahrain has fully acquired "MENA Telecom Company Limited" in the Kingdom of Bahrain (as a subsidiary). The main activity is to provide Internet services.

d. Aqalat was established in the Kingdom of Saudi Arabia in March 2013 with a capital of SR 70 million fully owned by STC to operate in the field of establishing, owning, investing, managing of real estate and contracting, and providing consulting services, and importing and exporting services to the benefit of STC.

e. STC Specialized (Formerly: Public Telecommunications Company "BRAVO") was established in February 2002 in the Kingdom of Saudi Arabia. The Company acquired 100% of SR 200 million share capital in January 2014. This Company operates in the electrical business and communication networks, wholesale and retail trade in fixed telecommunications equipment, electrical appliances, import, marketing, installation and maintenance of fixed and mobile telecommunications and information technology licensed devices.

f. Sapphire was established in the Kingdom of Saudi Arabia in June 2014 with a capital of SR 100 million fully owned by STC to operates in the retail and wholesale trade of computer systems and devices, fixed and mobile telecommunication, internet equipment, advertising and publicity material, spare parts, electrical equipment, advance payment devices, points-of-sale devices, Telecom operator services, establish telecom sales and service centres. In November 2017, the Group Board of Directors has decided to wind up Sapphire and integrating its business with STC starting 1 January 2018. The legal procedures for the liquidation of the company is expected to be completed during 2019.

g. STC Turkey is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 8 April 2007. It is a special purpose entity established to provide services and support required in respect of investment activities of the Group.

   In April 2008, STC Turkey acquired 35% of Oger Telecom Limited's ("OTL") USD 3.6 billion share capital, equivalent to approximately SR 13.5 billion, at the exchange rate as at that date.

   During 2016, and due to the continuing losses and the depletion of the Group's entire investment balance in OTL, the Group has stopped recognizing its share in OTL additional losses. (see Note 19.1)

h. STC Asia is a limited liability company which was established under the Commercial Companies Law in the British Virgin Islands on 24 July 2007 and is a special purpose company that invests in companies operating primarily in the Malaysia. It holds an investment in STC Malaysia Holdings Limited ("STC Malaysia"), (a wholly owned subsidiary), which was incorporated under the Commercial Companies Law in the British Virgin Islands.

   STC Malaysia Holdings Limited in turn holds the Group's 25% stake in Binariang GSM Holdings ("BGSM") (Note 19.2). The principal activity of both STC Asia and its subsidiary is to provide services and support required in respect of investment activities of the Group.

16. SUBSIDIARIES (CONTINUED)

i. STC Gulf was incorporated in the Kingdom of Bahrain on 12 March 2008 and has wholly-owned subsidiaries in the Kingdom of Bahrain. The primary objective of this company and its subsidiaries is to provide services and support required in respect of investment activities of the Group:

1- STC Gulf Investment Holding 1 S.P.C.
2- STC Gulf Investment Holding 2 S.P.C.
3- STC Gulf Investment Holding 3 S.P.C.

STC Gulf Investment Holding 3 S.P.C. holds 100% (2017: 100%) in Intigral Holding, which was established in the Kingdom of Bahrain in June 2009 with a share capital amounting to BHD 28 million which is equivalent to approximately SR 281 million at the exchange rate as at that date. Intigral is a holding company which owns shares in companies operating in the field of content services and digital media in Gulf countries. During 2018, the company increased its capital to reach BD 101 million equivalent to SR 1.008 million at the exchange rate as at 31 December 2018.

j. STC Channels (“STCC”) (Formaly: Advanced sale (Saleco)) was established in the Kingdom of Saudi Arabia in January 2008 and operates in the wholesale and retail trade of recharge card services, telecommunication equipment and devices, computer services, sale and re-sale of all fixed and mobile telecommunication services, and commercial centres’ maintenance and operation. The Company operates in Saudi Market with subsidiaries in Bahrain and Oman whom are working in the same field. STC acquired 60% of STCC SR 100 million share capital in December 2011. On January 2017, the Company acquired the remaining shares in STCC by SR 400 million. Accordingly, STCC became a wholly-owned subsidiary of STC.

k. In December 2007, the Company acquired 26% share capital of Viva Kuwait Company for amount of Kuwaiti Dinar (“KD”) 50 million, equivalent to approximately SR 687 million at the exchange rate as at that date. Viva Kuwait operates in the field of mobile services in the Kuwaiti market and commenced its commercial operation on 4 December 2008 and was listed as a joint stock company on the Kuwait Stock Exchange on 14 December 2014.

The Group manages Viva Kuwait and treats its investment as a subsidiary due to its control over the Company’s majority representation in Viva Kuwait’s board of directors.

On November 2015, the Company has submitted a voluntary offer to acquire the issued shares of Viva Kuwait not already owned by the Company, which represented 74% of Viva Kuwait issued shares. The offer presented by the Company to Viva Kuwait’s shareholders amounted to KD 1 per share (equivalent to SR 12.37).

The offer ended on 31 January 2016 and the number of shares accepted under the offer amounted to 128,860,518 shares which representing 25.8% of total issued shares to Viva Kuwait. Saudi Telecom has thus become owning 51.8% of the total issued shares of Viva Kuwait.

During 2018, Viva Kuwait entered into a binding contract to acquire 100% of the total issued shares of Qualitynet, which operates in Kuwait in the field of providing Internet services.

l. During the first quarter of 2018, the Company established Communication Towers Co. Ltd., a fully owned limited liability Company, with a share capital of SR 200 million. Communication Towers Company will be responsible for owning, constructing, operating, leasing and commercializing telecom towers. During the first quarter of 2019, Communications Towers Company obtained the necessary operating licenses from the Communications and Information Technology Commission (CITC) and has not yet started commercial operation.

16. SUBSIDIARIES (CONTINUED)

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

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

Name of subsidiary	*Proportion of ownership and voting rights acquired by non-controlling interests*		*Profit allocated to non-controlling interests*	*Accumulated non-controlling interests*		
	2018	*2017*	***For the year ended 31 December 2018***	***31 December 2018***	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
VIVA Kuwait	**48.2%**	48.2%	**300,107**	**1,143,582**	937,768	705,183
STC Channels	-	-	**-**	**-**	-	506,765
Individually immaterial subsidiaries			**620**	**4,332**	1,412	43,777
			300,727	**1,147,914**	939,180	1,255,725

16.2 Change in the Group's ownership interest in subsidiaries

In January 2017, the purchase and transfer of the remaining shares in STC Channels representing 40% of STC Channels' outstanding shares for SR 400 million was completed. Accordingly, STC Channels became a 100% owned subsidiary of STC. As a result of this increase, the non-controlling interest decreased by SR 546.7 million and other reserves increased by SR 67.5 million.

17. CASH AND CASH EQUIVALENTS

	31* December *2018	*31* December *2017*	*1 January 2017*
Short term murabaha (with 3 months maturity or less)	**6,316,162**	1,043,615	1,713,740
Cash at banks	**1,640,738**	1,325,836	1,823,630
Cash on hand	**5,848**	19,638	50,263
Cheques under collection	**191,117**	177,955	43,569
	8,153,865	2,567,044	3,631,202

The Company invests a part of its surplus cash in murabaha accounts with original maturity of three months or less with several local banks. The average rate of profit during the year of 1%% - 3% (2017: 1.6%-3.57%)

18. RELATED PARTY TRANSACTIONS

18.1 Trading transactions and balances with related parties (Associates and Joint Ventures – see Note 19)

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

	2018	*2017*
Telecommunication services provided		
Associates	**492,013**	457,382
Joint Ventures	**10,995**	17,347
	503,008	474,729

	2018	*2017*
Telecommunication services received		
Associates	**17,188**	6,067
Joint Ventures	**-**	18,927
	17,188	24,994

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

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

	Amounts due from related parties			***Amounts due to related parties***		
	31 December 2018	*31 December 2017*	*1 January 2017*	***31 December 2018***	*31 December 2017*	*1 January 2017*
Associates	**338,652**	325,069	158,902	**23,184**	29,283	32,702
Joint ventures	**5,444**	19,100	6,458	**112,801**	89,415	81,911
	344,096	344,169	165,360	**135,985**	118,698	114,613

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

Revenues related to transactions with governmental parties for the year ended 31 December 2018 amounted to SR 5,938 million (31 December 2017: SR 5,355 million) and expenses related to transactions with governmental parties for the year ended 31 December 2018 (including government charges) amounted to SR 4,139 million (31 December 2017: SR 3,662 million). It is worth mentioning that based on the Council of Ministers' resolution No. (196) dated 4 Rabi Thani 1440H corresponding to 11 December 2018, the percentage of government charges collected by the government for providing telecommunications services commercially has been amended to become a uniform annual fee of 10% of net telecommunications revenues effective 1 January 2018 instead of the previous calculation mechanism which were 15% of net mobile service revenues, 10% of net fixed line revenues and 8% of net revenues from data services. Furthermore, the Company's services licenses have been combined into a unified license.

As at 31 December 2018, accounts receivable from Government entities totalled SR 12,343 million (31 December 2017: SR 18,920 million , 1 January 2017:12.596 million) and as at 31 December 2018, accounts payable to Government entities totalled SR 3,706 million (31 December 2017: SR 6,872 million, 1 January 2017:3,784 million) (see note 10.2) which were after the Group's agreement with the government to pay all outstanding receivables as at 31 December 2016 amounting to SR 12,532 million through offsetting accounts payables balances and the collection of the balance in cash. The Group will also subscribe to an amount of SR 4 billion in Sukuk that shall be issued by the Ministry of Finance during the first quarter of 2019 (see note 44).

18. RELATED PARTY TRANSACTIONS (CONTINUED)

18.3 Loans to related parties

	31 December 2018	*31 December 2017*	*1 January 2017*
Loans to key management personnel	**1,507**	2,093	9,903

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

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

	2018	*2017*
Short-term benefits and remunerations	**107,049**	103,948
Provision for leave and end of service benefits	**36,550**	33,000

19. ASSOCIATES AND JOINT VENTURES

19.1 Associates

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

19.1.1 Details of associates

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

Name of Associates		*Country of incorporation*	*Proportion of ownership interest / voting rights*		
			31 December 2018	*31 December 2017*	*1 January 2017*
Arab Satellite Communications Organisation ("Arabsat")	1	Kingdom of Saudi Arabia	**36.66%**	36.66%	36.66%
Virgin Mobile Saudi Consortium ("VMSC")	2	Kingdom of Saudi Arabia	**10%**	10%	10%
Careem Company	3	Virgin Islands, Britain	**8.87%**	9.68%	-
Oger Telecom Limited ("OTL")	4	United Arab Emirates	**35%**	35%	35%

1) Arab Satellite Communications Organisation ("Arabsat") was established on April 1976 by the members of the League of Arab States. Arabsat offers a number of services to these member states, as well as to all public and private sectors within its coverage area, and principally in the Middle East. Current services offered include: Regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity on an annual or monthly basis. In April 1999, Saudi Telecom Company acquired 36.66% of Arabsat's US$ 500 million share capital (equivalent to approximately SR 1,875 million at the exchange rate as of that date).

2) Virgin Mobile Saudi Consortium ("VMSC") was established during 2013 as a mobile virtual network operator and started its operations during the year of 2014. The Company owns 10% of VMSC's share capital. Although the Group holds less than 20% of ownership interest and voting control in VMSC, the Group has the ability to exercise significant influence through its membership in VMSC board of directors by virtue of the partners' agreement and the amended article of association of VMSC.

19. ASSOCIATES AND JOINT VENTURES (CONTINUED)

19.1 Associates (continued)

19.1.1 Details of associates (continued)

3) Careem was founded in July 2012 and it is offering innovative, fast and convenient transportation services through its website and smart phone applications. In January 2017, the Company completed the purchase of 10% of Careem shares for USD 100 million (equivalent to SR 375 million). During the year 2018, the Company's share decreased to 8.87% (2017: 9.68%) as a result of Careem Company capital increase through the entrance of new shareholders. Although the Group holds less than 20% of ownership interest and voting control in Careem, the Group has the ability to exercise significant influence without control through its membership in Careem board of directors and the 8.9% ownership in Careem by the venture funds established by the Group.

4) Oger Telecom Limited ("OTL") is a holding company registered in Dubai, the United Arab Emirates. In April 2008, STC through one of its subsidiaries (STC Turkey Holding) acquired 35% of OTL's share capital amounting to US$ 3.6 billion, equivalent to approximately SR 13.5 billion at the exchange rate as at that date. On 1 January 2016, the Group's investment in OTL was completely extinguished and the Group discontinued recognising its share of further losses. OTL is currently facing financial difficulties to settle its current borrowings dues and its ability to comply with the financial covenants agreed with lenders. During 2018, OTL has completed necessary procedures to liquidate its main subsidiaries and restructure it's investments in Turkey and South Africa in order to meet the financial obligations of the lenders. In addition, OTL is expected to commence its liquidation process in the foreseeable future.

Summarised financial information in respect of each of the Group's material associates is set out below:

Arabsat	***31 December 2018***	*31 December 2017 (Restated)*	*1 January 2017 (Restated)*
Statement of financial position			
Current assets	**1,110,572**	917,399	962,214
Non-current assets	**6,096,520**	6,696,704	6,935,708
Current liabilities	**(490,799)**	(849,855)	(1,221,185)
Non-current liabilities	**(1,633,181)**	(1,782,393)	(1,840,899)

	For the year ended in 31 December	
	2018	***2017***
Statement of income and other comprehensive income		
Revenue	**997,308**	855,437
Profit for the year	**316,028**	500,361
Other comprehensive (loss)/income for the year	**(55,358)**	147,038
Total comprehensive income for the year	**260,670**	647,399

19.1.2 Details of material associates

Reconciliation of the above-summarised financial information to the carrying amount of the Group's interest in Arabsat:

	31 December 2018	*31 December 2017 (Restated)*	*1 January 2017 (Restated)*
Net assets of the associate	**5,083,112**	4,981,855	4,835,218
Proportion of the Group's ownership interest in Arabsat	**36.66%**	36.66%	36.66%
Carrying amount of the Group's interest in Arabsat	**1,863,469**	1,826,348	1,772,591

19. ASSOCIATES AND JOINT VENTURES (CONTINUED)

19.1 Associates (continued)

Aggregate information of associates that are not individually material for the year ended:

	2018	2017
The Group's share of loss from continued operations	**61,988**	43,484
Aggregate carrying amount of the Group's interests in these associates	**269,809**	331,798
Total carrying amount of the Group's interest in associates	**2,133,278**	2,158,146

19.2 Joint ventures

19.2.1 Details of joint ventures

Below is the detail of joint ventures as at:

Name of joint venture		*Country of incorporation*	*Proportion of ownership interest/ voting rights*		
			31 December 2018	*31 December 2017*	*1 January 2017*
Arab Submarine Cables Company Limited	1	Kingdom of Saudi Arabia	**50%**	50%	50%
Contact Centres Company ("CCC")	2	Kingdom of Saudi Arabia	**49%**	49%	49%
Binariang GSM Holding ("BGSM")	3	Malaysia	**25%**	25%	25%

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

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

2) Contact Centres Company was established to provide call centre services and answer directory queries with Aegis Company at the end of December 2010 in the Kingdom of Saudi Arabia, with a share capital of SR 4.5 million. The Company acquired 50% of its share capital. During the fourth quarter of 2015, the Company sold 1% of its stake in CCC to the other partners according to the terms of the partners' agreement. Thus making the Company's share 49%.

3) Binariang group GSM is an investment holding group registered in Malaysia which owns 62% (2017: 65%) of Maxis Malyasian Holding Group ("Maxis"), a major telecom operator in Malaysia. BGSM also had indirect investments in India, Aircel Limited ("Aircel") which were eliminated in 2018.

In September 2007, the Company acquired (through its subsidiaries STC Asia holding and STC Malaysia holding) 25% of Binariang group GSM MYR 20.7 billion share capital, equivalent to approximately SR 23 billion at the exchange rate as at that date.

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

During the second quarter of 2017, a subsidiary of Binariang group GSM (joint venture) issued an additional share capital for its non-controlling interests. STC Group share of the gain from this increase was SR 141 million recognized in other reserves.

19. ASSOCIATES AND JOINT VENTURES (CONTINUED)

19.2 Joint ventures (continued)

19.2.2 Details of material joint ventures (continued)

Summarised financial information in respect of the Group's material joint venture is set out below:

Binariang group Holding GSM	*31 December 2018*	*31 December 2017 (Restated)*	*1 January 2017 (Restated)*
Statement of financial position			
Current assets	**3,273,483**	18,324,419	20,081,520
Non-current assets	**25,851,745**	25,936,669	23,710,427
Current liabilities	**(4,547,699)**	(21,756,437)	(21,832,724)
Non-current liabilities	**(12,946,453)**	(12,762,038)	(13,883,338)

The above amounts of assets and liabilities include the following:

	31 December 2018	*31 December 2017*	*1 January 2017*
Cash and cash equivalents	**1,374,852**	1,399,929	1,024,317
Current financial liabilities (excluding trade and other payables and provisions)	**(1,164,892)**	(591,156)	(1,171,373)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(12,339,736)**	(12,031,079)	(13,006,198)

	For the year ended 31 December	
	2018	*2017 (Restated)*
Statement of income and other comprehensive income		
Revenue	**8,087,147**	8,717,567
Profit from continuing operations	**1,192,434**	1,270,735
Profit (Loss) from discontinued operations	**600,723**	(2,717,893)
Profit (Loss) for the year	**1,793,157**	(1,447,158)
Other comprehensive income for the year	**167,949**	271,614
Total comprehensive income/(loss) for the year	**1,961,106**	(1,175,544)
Depreciation and amortisation	**(1,032,504)**	(1,050,312)
Finance income	**48,264**	92,238
Finance cost	**(884,317)**	(1,094,206)
Income tax expense	**(556,003)**	(638,438)

Reconciliation of the above summarised financial information to the carrying amount of the Group's interest in Binariang group GSM Holding ("BGSM"):

	31 December 2018	*31 December 2017 (Restated)*	*1 January 2017 (Restated)*
Net assets of BGSM (excluding non-controlling interest share and share of other shareholders in Aircel)	**(5,192)**	(224,098)	(460,436)
Proportion of the Group's ownership interest in the joint venture	**(1,298)**	(56,024)	(115,109)
Goodwill and fair value adjustments	**1,352,070**	1,352,070	1,352,070
Impairment loss provision	**(168,000)**	-	-
Others: the carve-out of Aircel Group	**3,208,024**	3,392,741	3,189,353
Carrying amount of the Group's interest in the joint venture	**4,390,796**	4,688,787	4,426,314

19. ASSOCIATES AND JOINT VENTURES (CONTINUED)

19.2 Joint ventures (continued)

19.2.2 Details of material joint ventures (continued)

Aggregate information of joint ventures that are not individually material for the year ended 31 December:

	2018	*2017*
The Group's share of profit from operations	**8,806**	18,203
The Group's share of other comprehensive income	**-**	-
The Group's share of total comprehensive income	**8,806**	18,203
Aggregate carrying amount of the Group's interests in these joint ventures	**57,659**	61,720
Total carrying amount of the Group's share in the joint ventures	**4,448,455**	4,750,507

20. ISSUED CAPITAL

	31* December *2018	*31* December *2017*	*1 January 2017*
Issued and fully paid capital comprises			
2 billion fully paid ordinary shares	**20,000,000**	20,000,000	20,000,000

21. STATUTORY RESERVE

In accordance with the companies law in the Kingdom of Saudi Arabia and the Company's By-Law, 10% of the net income was taken as statutory reserve until it reached 50% of the share capital. Based on the approval of the Ordinary General Assembly of Shareholders at its meeting on 23 Rabi Thani 1432H corresponding to 28 March 2011 it was approved to cease the transfer to statutory. Although the recent change in the companies law, appropriations can ceased when the reserve reaches 30% as minimum instead of 50% of the share, the Company maintained the accumulated reserve at 50%. This reserve is not available for distribution to the Company's shareholders.

22. OTHER RESERVES

	Foreign currency translation	*Cash flow hedge*	*Investments at FVTOCI reserve*	*Other Reserves*	*Total*
As at 1 January 2018	**(41,582)**	**(140,865)**	**312,431**	**(1,905,374)**	**(1,775,390)**
Fair value of investments at FVTOCI	**-**	**-**	**113,543**	**-**	**113,543**
Re-measure the end of service benefit obligation	**-**	**-**	**-**	**13,414**	**13,414**
Exchange difference on translation of foreign operations	**(8,128)**	**-**	**-**	**-**	**(8,128)**
Company's Share of other comprehensive income of joint ventures and associates	**-**	**-**	**-**	**(247,317)**	**(247,317)**
As at 31 December 2018	**(49,710)**	**(140,865)**	**425,974**	**(2,139,277)**	**(1,903,878)**
As at 1 January 2017 – Restated	(41,732)	(140,865)	221,874	(1,974,750)	(1,935,473)
Acquisition of non-controlling interest in a subsidiary	-	-	-	67,474	67,474
Fair value of investments at FVTOCI	-	-	90,557	-	90,557
Re-measurement of end of service benefit obligation	-	-	-	(117,361)	(117,361)
Exchange difference on translation of foreign operations	150	-	-	-	150
Company's Share of other comprehensive income of joint ventures and associates	-	-	-	(30,603)	(30,603)
Others	-	-	-	149,866	149,866
As at 31 December 2017	(41,582)	(140,865)	312,431	(1,905,374)	(1,775,390)

23. BORROWINGS

Total loans paid during the year ended 31 December 2018 amounted to SR 636 million (31 December 2017: SR 3,299 million). Total loans received during the year ended 31 December 2018 amounted to SR 304 million (31 December 2017: SR 1,924 million). A list of the loans are as follows:

23. BORROWINGS (CONTINUED)

Nature of borrowing	*Date of borrowing*	*Date of final instalment*	*Currency*	*Profit rate*	*Current portion*			*Non-current portion*		
					Balance as at 31 December 2018	*Balance as at 31 December 2017*	*Balance as at 1 January 2017*	***Balance as at 31 December 2018***	*Balance as at 31 December 2017*	*Balance as at 1 January 2017*
Murabaha (1)	1 Apr 2008	1 April 2018	SAR	3 months SAIBOR + 0.25%	**-**	530,311	1,057,637	**-**	-	526,427
Sukuk (2)	9 Jan 2014	9 Jun 2024	SAR	3 months SAIBOR + 0.70%	**-**	-	-	**2,000,000**	2,000,000	2,000,000
Murabaha	1 May 2009	1 Mar 2021	BHD	1 month BIBOR + 0.25%	**26,891**	5,379	5,370	**53,781**	80,672	86,716
Murabaha (3)	1 Jul 2017	1 May 2022	BHD	1 month BIBOR + 1.60%	**58,280**	-	-	**521,281**	527,393	-
Murabaha	1 Dec 2009	1 Dec 2017	BHD	1 month BIBOR + 0.25%	**-**	-	144,550	**-**	-	-
Murabaha	1 Dec 2009	1 Dec 2017	BHD	1 month BIBOR + 0.75%	**-**	-	223,395	**-**	-	-
Murabaha	Dec 2018	Nov 2025	BHD	2.10%	**2,863**	-	-	**21,786**	-	-
Murabaha	Dec 2018	Jan 2019	SAR	LIBOR + 0.55%	**232,499**	-	-	**-**	-	-
Tawaruq	Jan 2011	Dec 2017	KWD	3.25%	**-**	155	184,271	**-**	-	-
Murabaha	Jun 2013	Jun 2018	KWD	3.10%	**-**	60,307	108,767	**-**	-	78,038
Murabaha	Jun 2013	Jun 2018	KWD	3.50%	**-**	51,611	143,230	**-**	-	64,905
Murabaha (4)	Dec 2017	Dec 2022	MYR	6 months KLIBOR + 0.65%	**-**	-	-	**1,368,631**	1,397,915	-
Murabaha	Dec 2007	Dec 2017	MYR	6 months KLIBOR + 0.45%	**-**	-	-	**-**	-	1,261,145
Total					**320,533**	647,763	1,867,220	**3,965,479**	4,005,980	4,017,231

(1) The Company has obtained financing facilities on Murabha basis with a term of ten years. Average finance cost of 2.14% (31 December 2017: 2.38%) was paid by the Company during the year. The Murabahas were repayable in quarterly instalments with the final instalment paid in April 2018.

(2) The Company has issued Sukuk Program up to a maximum of SR 5 billion. Sukuk certificates have a face value of SR 1 million each and were issued at face value with a term of ten years.

(3) VIVA Bahrain has murabaha facilities secured by a land and a building. A substantial portion of these Murabaha facilities has been hedged for profit rate risk. Subject to certain exceptions, materiality tests and carve-outs, the significant covenants of these facilities are: restriction of financial indebtedness, limitation on disposal of assets and limitations on granting of loans and guarantees. Additional undertakings under these loans relate to certain specific financial ratios and satisfaction of financial position tests. The carrying values of the Murabaha facilities are not materially different from their fair values as the impact of discounting, credit risk and other market risk is not considered significant.

(4) This facility is secured by a letter of guarantee provided by the Company.

24. PROVISIONS

	31 December 2018	*31 December 2017*	*1 January 2017*
Legal and regulatory provisions (i)	**7,336,057**	8,392,198	6,417,649
Decommissioning provisions (ii)	**382,510**	442,933	389,880
Other provisions	**2,794**	1,301	1,021
	7,721,361	8,836,432	6,808,550
Current	**6,829,451**	7,633,280	5,686,284
Non-current	**891,910**	1,203,152	1,122,266
	7,721,361	8,836,432	6,808,550

	Legal and regulatory provision (i)	*Decommissioning and other provisions (ii)*
Balance as at 1 January 2017	6,417,649	390,901
Additions	2,460,427	28,573
Reductions / adjustment resulting from re-measurement and others	7,412	2,038
Payment / settlements	(493,290)	22,722
Balance as at 31 December 2017	8,392,198	444,234
Balance as at 1 January 2018	**8,392,198**	**444,234**
Additions	**1,298,823**	**7,079**
Reductions / adjustment resulting from re-measurement and others	**(1,945)**	**(66,009)**
Payment / settlements	**(2,353,019)**	**-**
Balance as at 31 December 2018	**7,336,057**	**385,304**

(i) The Company is considered a party of number of legal and regulatory claims. The Group, after taking independent legal advice, has established provisions after taking into account the facts for each case. The timing of the cash outflows associated with the majority of the legal claims are typically more than one year, however, for some legal claims the timing of cash flows may be short term in nature.

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

25. DEFERRED INCOME

	31 December 2018	*31 December 2017 (Restated – note 3)*	*1 January 2017 (Restated – note 3)*
Government grants (i)	**2,138,098**	984,082	661,888
Others	**47,333**	102,624	89,905
	2,185,431	1,086,706	751,793
Current	**41,141**	96,431	81,654
Non-current	**2,144,290**	990,275	670,139
	2,185,431	1,086,706	751,793

(i) The government grants represent grants provided by Communication and Information Technology Commission ("CITC") to the Company to build telecommunication network in remote areas (see note 4.6).

26. RETIREMENT BENEFIT PLANS

26.1 Defined contribution plans

The Group is participating in a pension schemes for its employees which are managed by government institutions in the countries concerned. The amount recognised as an expense for defined contribution plans for the year ended 31 December 2018 is SR 401 million (31 December 2017: SR 411 million).

26.2 End of service benefit provision

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service year, calculated under the provisions of the Labour Law of the respective country and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the year of employment.

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

Discount risk	A decrease in the discount rate will increase the plan liability.
Salary risk	The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the present value of the end of service benefit obligation was carried out as at 31 December 2018. During the financial year, there were no material fluctuations or events affecting the actuarial assumptions used as at 31 December 2017.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The significant actuarial assumptions, during 2018, used in determining the end of service benefit obligation represent the discount rates of (4.25% - 5%) and the expected increase in salary (3.2% - 5%) (2017: between 4% - 5% and the expected increase 2%-5%).

The net expenses recognized in the consolidated statement of profit or loss are as follows:

	2018	*2017*
Cost of services	**354,101**	348,874
Interest cost	**176,477**	176,629
	530,578	525,503

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

	2018	*2017*
Balance at beginning of the year	**3,922,065**	3,776,269
Expenses recognized in the consolidated statement of profit or loss	**530,578**	525,503
Actuarial losses recognised in the consolidated statement of comprehensive income	**(13,414)**	117,361
paid during the year	**(521,861)**	(499,614)
Exchange differences on foreign plans	**1,994**	2,546
Balance at end of the year	**3,919,362**	3,922,065

26. RETIREMENT BENEFIT PLANS (CONTINUED)

26.2 End of service benefit provision (continued)

The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the financial year, while holding all other assumptions constant.

- If the discount rate is increases (decreases) by 50 basis points, the end of service benefit provision would (decrease) increase by SR 176 million (31 December 2017: (decrease) increase by SR 180 million).
- If the expected salary growth increases (decreases) by 0.5%, the end of service benefit provision would increase (decrease) by SR 191 million (31 December 2017: increase (decrease) by SR 190 million).

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

27. CONTRACT LIABILITIES

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Deferred revenue from services	**3,192,688**	3,894,060	3,599,678
Customer loyalty programme	**118,167**	140,800	137,849
	3,310,855	4,034,860	3,737,527
Current	**2,538,940**	3,261,695	2,961,889
Non-current	**771,915**	773,165	775,638
	3,310,855	4,034,860	3,737,527

28. OTHER FINANCIAL LIABILITIES

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Financial liabilities related to telecom licenses	**1,528,923**	56,604	198,985
Dividends due	**81,927**	48,570	37,662
Derivative liabilities	**6,140**	9,221	16,454
	1,616,990	114,395	253,101
Current	**90,731**	54,640	44,138
Non-current	**1,526,259**	59,755	208,963
	1,616,990	114,395	253,101

29. OTHER LIABILITIES

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Government charges	**3,699,077**	6,871,643	3,784,284
Statutory dues and Other	**411,226**	496,840	432,698
	4,110,303	7,368,483	4,216,982
Current	**4,077,577**	7,281,256	4,126,095
Non-current	**32,726**	87,227	90,887
	4,110,303	7,368,483	4,216,982

30. TRADE AND OTHER PAYABLES

	31 December 2018	*31 December 2017 (Restated-note 3)*	*1 January 2017 (Restated-note 3)*
Accrued expenses	**10,901,180**	8,558,799	9,448,353
Trade payables	**3,050,348**	1,841,443	1,247,279
Employee accruals	**1,424,912**	1,532,933	1,504,891
Other trade payables	**1,031,981**	707,093	1,164,380
Capital supplier dues and retentions	**234,630**	346,165	418,279
Customer refundable deposits	**27,907**	169,494	125,206
	16,670,958	13,155,927	13,908,388

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

31. ZAKAT AND TAX LIABILITIES

	31 December 2018	*31 December 2017*	*1 January 2017*
Zakat (a)	**1,443,224**	1,488,001	1,361,590
Income taxes (b)	**22,551**	19,880	17,370
	1,465,775	1,507,881	1,378,960

31. ZAKAT AND TAX LIABILITIES (CONTINUED)

a. *Zakat*

The Group calculates and records the zakat provision based on the zakat base in its consolidated statements in accordance with the zakat rules and principles in the Kingdom of Saudi Arabia:

	31 December 2018	*31 December 2017*
Share capital – beginning of the year	**20,000,000**	20,000,000
Additions:		
Retained earnings, reserves and provisions – beginning of the year	**60,377,908**	54,087,010
Borrowings and payables	**4,589,524**	4,911,130
Adjusted net income	**10,097,775**	13,412,664
Adjusted total shareholders' equity	**95,065,207**	92,410,804
Deductions:		
Net property (adjusted) and investments	**58,050,032**	56,061,670
Dividends paid	**8,000,000**	8,000,000
Deferred expenses and other balances	**326,064**	558,782
Total adjusted deductions	**66,376,096**	64,620,452
Zakat base	**28,689,111**	27,790,352
Zakat on wholly owned companies	**717,228**	694,758
Add: Zakat on partially owned companies	**6,718**	6,011
Total zakat provision for the year	**723,946**	700,769

Zakat provision

	31 December 2018	*31 December 2017*
Balance at beginning of the year	**1,488,001**	1,361,590
Charge for the year	**723,946**	700,769
Adjustment during the year	**(99,535)**	55,875
Amounts paid during the year	**(669,188)**	(630,233)
Balance at end of the year	**1,443,224**	1,488,001

The Company submitted its zakat returns since its inception through 2017. Effective from the year 2009, the Company started the submission of consolidated zakat return for the Company and its wholly owned subsidiaries (whether directly or indirectly) in accordance with the Ministerial Decree No.1005 dated 28/4/1428H.

The Company received Zakat assessments from inception until 2011. The Company has submitted objections for the years 2008 to 2011. The total Zakat differences for these objections amounted to SR 625 million. The Company has reached a partial settlement for the years 2010-2011 and GAZT is in the process of issuing an amended zakat assessment for those years. The objections related to the years 2008-2009 remain before the appeals committee until the date of preparation of these consolidated financial statements. The majority of the zakat differences subject for objections are for the years 2008-2009 in relation to the comparison between the Zakat base and the adjusted profit whichever is higher. On 28/2/1438H, the Appeals Committee passed its decision No. (1642)/1438H; upholding the Company's appeal for the year 2007 which cancels the process of GAZT comparison between the Zakat base and the adjusted profit whichever is higher, reinforcing the position of the Company in the objections for subsequent years pending before the Appeals Committee. Accordingly, The Company believes that the results of these objections will be in its favour and will not result in any additional provisions.

31. ZAKAT AND TAX LIABILITIES (CONTINUED)

a. Zakat (Continued)

Zakat declarations for the years 2012 to 2017 are still pending with the GAZT until the date of preparation of these consolidated financial statements.

b. Income tax

The Group's share of income tax payable by subsidiaries is in accordance with the prevailing tax regulations in their countries. Income tax expense for the year ended 31 December 2018 amounts to SR 23 million (2017: SR 20 million).

32. REVENUES

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Rendering of services	**43,142,069**	44,700,972
Sale of goods	**8,372,850**	5,686,282
Others	**448,324**	274,081
	51,963,243	50,661,335

33. COST OF REVENUES

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Network access charges	**4,998,609**	5,830,410
Government charges *(*)*	**4,482,144**	3,973,084
Cost of devices sold	**4,386,167**	2,337,133
Employees' costs	**2,968,010**	2,134,816
Repair and maintenance	**2,275,012**	2,493,319
Cards recharge and printing cost	**1,532,359**	1,702,615
Amortisation and impairment of contract costs	**373,644**	388,470
Others	**400,983**	3,246,079
	21,416,928	22,105,926

"Others" mainly comprise various expenses mainly related to rent of property, equipment and vehicles, telecommunication services, postage, courier, security and safety expenses, premises expenses, and consultancy.

(*) The details of government charges are as follows:

	For the year ended 31 December	
	2018	*2017*
Commercial service provisioning fees	**3,716,740**	3,381,036
License fees	**398,250**	295,573
Frequency spectrum fees	**367,154**	296,475
	4,482,144	3,973,084

34. SELLING AND MARKETING EXPENSES

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Employees' costs	**2,312,609**	2,267,221
Impairment loss on trade receivables (see note 10-1)	**741,583**	848,495
Advertising and publicity	**560,114**	666,535
Sales commissions	**490,623**	438,682
Call centre expenses	**268,534**	327,281
Impairment on contract assets	**206,503**	135,562
Repairs and maintenance	**195,201**	197,266
Sport activities sponsorship cost	**142,414**	117,480
Postage and courier	**57,998**	20,780
Printing of telephone cards and office supplies	**44,856**	79,834
Amortisation and impairment of contract costs	**42,989**	55,436
Consultancy, legal and professional fees	**20,304**	32,957
Others	**379,484**	421,105
	5,463,212	5,608,634

"Others" comprises various items, the main ones are: rent of equipment, property and vehicles, security and safety, telephone and utility expenses.

35. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Employees' costs	**2,620,501**	2,291,117
Repair and maintenance	**986,591**	855,596
Operating lease costs	**359,351**	279,216
Consultancy, legal and professional fees	**247,202**	221,527
Utilities expenses	**179,683**	133,998
Security and safety expenses	**140,311**	120,091
Others	**713,709**	614,484
	5,247,348	4,516,029

"Others" comprises various items, the main ones are: insurance premiums, office equipment, freight, handling, postage and courier expenses.

36. FINANCE INCOME

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Income from murabaha	**378,307**	421,528
Income from sukuk	**173,493**	145,545
Others	**3,109**	17,609
	554,909	584,682

37. FINANCE COST

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Financing costs relating to Murabaha	**63,325**	95,941
Financing costs relating to Sukuk	**59,104**	50,774
Other finance cost	**7,885**	2,293
Unwinding of discounts on provisions and financial obligations	**268,500**	204,534
	398,814	353,542

38. OTHER GAINS AND LOSSES, NET

	For the year ended 31 December	
	2018	*2017 (Restated-note 3)*
Net gain arising on financial assets designated as FVTPL	**7,465**	216,923
Loss on sale/disposal of property, plant and equipment	**(291,431)**	(248,965)
Net foreign exchange gain	**68,473**	9,959
Net gain on derivatives	**-**	3,678
	(215,493)	(18,405)

39. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of shares for the year ended 31 December as follows:

	2018	*2017 (Restated-note 3)*
Profit for the year attributable to owners of the Company	**10,779,771**	10,015,576
Weighted average number of ordinary shares for the purposes of basic earnings per share	**2,000,000**	2,000,000
Basic and Diluted earnings per share (in Saudi Riyal)	**5.39**	5.01

The Group does not have potentially dilutive shares and accordingly, dilutive earnings per share equals basic earnings per share.

40. FINANCIAL INSTRUMENTS

40.1 Capital management

The Group manages its capital to ensure that:

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

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

The Group is not subject to any externally imposed capital requirement. The Group did not introduce any amendments to the capital management objectives and procedures during the year ended 31 December 2018.

The Group's Capital Management Department reviews the capital structure of the company on annual basis to evaluate the cost of capital and the risks associated with capital. The Group has the following target ratios:

i. Debt to EBITDA level of 2 or below
ii. Debt to (Debt + Equity) level of 50% or below

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.1 Capital management (continued)

The ratio as at the year ended 31 December was as follows:

	2018	*2017 (Restated-note 3)*
Debt (i)	**4,286,012**	4,653,743
EBITDA (ii)	**19,835,755**	18,430,746
Debt to EBITDA	**0.22**	0.25
Debt	**4,286,012**	4,653,743
Debt + Equity (iii)	**70,947,610**	68,455,324
Debt to (Debt + Equity)	**6.04%**	6.80%

i. Debt is defined as current and non-current borrowings as described in note 23.
ii. EBITDA is defined as operating profit for the year adjusted for depreciation and amortization expenses.
iii. Equity is defined as total equity including issued capital, reserves, non-controlling interest and retained earnings.

40.2 Fair value of financial instruments

The Group uses valuation techniques appropriate to current circumstances that provide sufficient data to measure fair value. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Fair value of financial instruments

	31 December 2018		
	Carrying amount	*Fair value*	*Fair value measurement using*
Financial assets (Note 15):			
At fair value through profit or loss	**3,115,185**	**3,115,185**	**Level 2**
At amortised cost:			
Sukuk	**1,490,137**	**1,490,137**	**Level 2**
Murabahas	**2,250,746**	**2,250,746**	**Level 2**
Loans to employees	**524,417**	**524,417**	**Level 2**
Others loans and receivables	**86,174**	**86,174**	**Level 2**
At fair value through other comprehensive income	**1,394,602**	**1,394,602**	**Level 3**
	8,861,261	**8,861,261**	
Financial liabilities (Note 28):			
At amortised cost:			
Borrowings:			
Murabahas – unsecured	**605,052**	**605,052**	**Level 2**
Sukuk – unsecured	**2,000,000**	**2,000,000**	**Level 2**
Murabahas – secured	**1,680,960**	**1,680,960**	**Level 2**
Other financial liabilities	**1,528,923**	**1,528,923**	**Level 2**
Dividends payable	**81,927**	**81,927**	**Level 2**
At fair value through profit or loss			
Derivative liabilities	**6,140**	**6,140**	**Level 2**
	5,903,002	**5,903,002**	

40. FINANCIAL INSTRUMENTS(CONTINUED)

40.2 Fair value of financial instruments

	Carrying amount	*Fair value*	*Fair value measurement using*
Financial assets (Note 15):			
At fair value through profit or loss	4,148,368	4,148,368	Level 2
At amortised cost:			
Sukuk	1,559,371	1,559,371	Level 2
Murabahas	1,186,173	1,186,173	Level 2
Loans to employees	612,918	612,918	Level 2
Others loans and receivables	86,314	86,314	Level 2
At fair value through other comprehensive income	535,634	535,634	Level 3
	8,128,778	8,128,778	
Financial liabilities (Note 28):			
At amortised cost:			
Borrowings:			
Murabahas – unsecured	1,175,156	1,175,156	Level 2
Sukuk – unsecured	2,000,000	2,000,000	Level 2
Murabahas – secured	1,478,587	1,478,587	Level 2
Other financial liabilities	56,604	56,604	Level 2
Dividends payable	48,570	48,570	Level 2
At fair value through profit or loss			
Derivative liabilities	9,221	9,221	Level 2
	4,768,138	4,768,138	

40. FINANCIAL INSTRUMENTS(CONTINUED)

40.2 Fair value of financial instruments

	1 January 2017		
	Carrying amount	*Fair value*	*Fair value measurement using*
Financial assets (Note 15):			
At fair value through profit or loss	3,986,104	3,986,104	Level 2
At amortised cost:			
Sukuk	1,422,602	1,422,602	Level 2
Murabahas	1,309,312	1,309,312	Level 2
Loans to employees	632,726	632,726	Level 2
Others loans and receivables	68,362	68,362	Level 2
At fair value through other comprehensive income	415,005	415,005	Level 3
	7,834,111	7,834,111	
Financial liabilities (Note 28):			
At amortised cost:			
Borrowings:			
Murabahas – unsecured	2,536,589	2,536,589	Level 2
Sukuk – unsecured	2,000,000	2,000,000	Level 2
Murabahas – secured	1,347,862	1,347,862	Level 2
Other financial liabilities	198,985	198,985	Level 2
Dividends payable	37,662	37,662	Level 2
At fair value through profit or loss			
Derivative liabilities	16,454	16,454	Level 2
	6,137,552	6,137,552	

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.3 Profit rate risk

The Group's main profit rate risk arises from borrowings and financial assets with variable profit margin rates. The Group through the use of profit swap contracts manages the profit rate risk.

There has been no change to the Group's exposure to profit risks or the manner in which these risks are managed and measured.

The sensitivity analyses below have been determined based on the exposure to profit rates for non-derivative instruments at the end of the financial year. These show the effects of changes in market profit rates on profit and loss. For floating rate asset and liabilities, the analysis is prepared assuming the amounts outstanding at the end of the year were outstanding for the whole year. A 20-basis point increase or decrease represents management's assessment of the reasonably possible change in profit rates. If profit rates had been 20 basis points higher (lower) and all other variables were held constant, the impact on profit of the Group would have been lower (higher) by SR 4.5 million. This hypothetical effect on profit of the Group primarily arises from potential effect of variable profit financial liabilities.

40.4 Foreign currency risk management

Saudi Riyal currency is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar. Thus, the impact of foreign currency risk is minimal on the Group.

40.5 Credit risk management

The Group has approved guidelines and policies that allows it to only deal with creditworthy counter parties and limits counter party exposure. The guidelines and policies allow the Group to invest only with those counterparties that have high investment grade credit rating issued by international credit rating agencies and limits the exposure to a single counter party by stipulation that the exposure should not exceed 30% of the counterparty's shareholders' equity. Further, the Group exposure to an investment/issue should not exceed 20% of the total outstanding investment issued by that counter party. The Group's credit risk is monitored on a quarterly basis.

Other than the concentration of credit risk disclosed in note 10, concentration of credit risk with respect to trade receivables are limited given that the Group's customer consists of a large number of unrelated customers. Payment terms and credit limits are set in accordance with industry norms.

On-going evaluation is performed on the financial condition of trade receivable and management believes there is no further credit risk provision required in excess of the normal provision for impairment loss (see note 10).

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

40.6 Liquidity risk management

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.6 Liquidity risk management (continued)

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

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

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

	Carrying amount	*1 year or less*	*Above 1 – 5 years*	*Above 5 years*
31 December 2018				
Trade and other payables (note 30)	**4,082,329**	**4,082,329**	**-**	**-**
Borrowings (note 23)	**4,286,012**	**320,533**	**1,965,479**	**2,000,000**
Dividends payable	**81,927**	**81,927**	**-**	**-**
Other financial liabilities	**1,528,923**	**-**	**1,528,923**	**-**
Derivative liabilities	**6,140**	**1,876**	**4,264**	**-**
	9,985,331	**4,486,665**	**3,498,666**	**2,000,000**
31 December 2017				
Trade and other payables (note 30)	2,548,536	2,548,536	-	-
Borrowings (note 23)	4,653,743	647,763	2,249,509	1,756,471
Dividends payable	48,570	48,570	-	-
Other financial liabilities	56,604	-	56,604	-
Derivative liabilities	9,221	6,265	2,956	-
	7,316,674	3,251,134	2,309,069	1,756,471
1 January 2017				
Trade and other payables (note 30)	2,411,659	2,411,659	-	-
Borrowings (note 23)	5,884,451	1,867,220	1,804,523	2,212,708
Dividends payable	37,662	37,662	-	-
Other financial liabilities	198,985	-	198,985	-
Derivative liabilities	16,454	12,924	3,530	-
	8,549,211	4,329,465	2,007,038	2,212,708

The Group has unused financing facilities amounting to SR 1,072 million. In addition, The Group has secured a 75% LTV (loan to value) readily available borrowing facility against its diversified investment portfolio (see Note 15-1).

The Group expects to meet its obligations from operating cash flows, cash and cash equivalents and proceeds of maturing financial assets.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40.6.1 Fair value measurement of financial assets and liabilities (continued)

The following table presents the recognised financial instruments that are offset or are subject to enforceable master netting agreements and other similar agreements as at:

	Gross amounts	*Amounts set off*	*Net amounts*
31 December 2018			
Financial assets			
Trade and other receivables	**16,981,559**	**(2,559,381)**	**14,422,178**
Financial liabilities			
Trade payables	**19,230,339**	**(2,559,381)**	**16,670,958**
31 December 2017 (Restated-note 3)			
Financial assets			
Trade and other receivables	22,097,651	(1,729,120)	20,368,531
Financial liabilities			
Trade payables	14,885,047	(1,729,120)	13,155,927
1 January 2017 (Restated-note 3)			
Financial assets			
Trade and other receivables	15,916,179	(1,580,668)	14,335,511
Financial liabilities			
Trade payables	15,489,056	(1,580,668)	13,908,388

In accordance with the terms of the agreements with the operators, commercial debtors and creditors are settled in connection to call routing and roaming fees and only the net amounts are settled or collected. Accordingly, the net amounts are presented in the consolidated statement of financial position.

40.6.2 Changes in liabilities arising from financial activities

Changes in liabilities arising from financial activities are as follows:

	1 January 2018	*Cash flows*	*Others*	*31 December 2018*
Borrowings – current portion	**647,763**	**(460,840)**	**133,610**	**320,533**
Borrowings – non-current portion	**4,005,980**	**-**	**(40,501)**	**3,965,479**
Total	**4,653,743**	**(460,840)**	**93,109**	**4,286,012**

	1 January 2017	*Cash flows*	*Others*	*31 December 2017*
Borrowings – current portion	1,867,220	(1,852,033)	632,576	647,763
Borrowings – non-current portion	4,017,231	328,467	(339,718)	4,005,980
Total	5,884,451	(1,523,566)	292,858	4,653,743

41. OPERATING LEASE ARRANGEMENTS

41.1.1 Leasing arrangements

Operating leases mainly relate to leases of land with lease terms of between 5 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have an option to purchase the leased land at the expiry of the lease term.

41.1.2 Payments recognised as an expense for the year ended 31 December:

	2018	***2017***
Minimum lease payments	**460,313**	455,876

41.1.3 Non-cancellable operating lease

	31 December 2018	*31 December 2017*	*1 January 2017*
Less than a year	**750,565**	574,398	523,303
1 to 5 years	**1,388,672**	1,146,870	1,087,329
Later than 5 years	**362,585**	309,493	381,254
	2,501,822	2,030,761	1,991,886

42. CAPITAL COMMITMENTS

(a) During the year 2018, the Company signed an agreement with the Ministry of Finance, the Ministry of Communications & Information Technology and the authority of Communications and Information Technology ("Government Entities") for a comprehensive and final settlement of the outstanding dispute related to commercial services provisioning fees provided by the company and the licences fees granted to the company for the period from 1 January 2008 to 31 December 2017. In return, the Company is committed to provide capital investments in its infrastructure which is in line with the Kingdom's vision to develop the telecommunications infrastructure within a period of three years from 1 January 2018 according to the terms and conditions of the Settlement Agreement (Referred to as "Target Performance Indicators").

(b) One of the subsidiaries has an agreement to invest in a fund aiming to improve the telecommunication and internet environment for USD 300 million equivalent to SR 1,125 million (31 December 2017: USD 300 million equivalent to SR 1,125 billion).

43. CONTINGENT LIABILITIES

(a) The Group has outstanding letters of guarantee amounting to SR 6,597 million as at 31 December 2018 (31 December 2017: SR 3,712 million).

(b) The Group has outstanding letters of credit as at December 31 2018 amounting to SR 655 million (31 December 2017: SR 420 million).

(c) On 21 March 2016, the Company received a letter from a key customer requesting a refund for paid balances amounted to SR 742 million related to construction of a fibre optic network. Based on the independent legal opinions obtained, the management believes that the customer's claims have no merit and therefore this dispute has no material impact on the financial results of the Group.

(d) The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Company's financial position or on the results of its operations as reflected in these consolidated financial statements.

(e) The Company has submitted an objection to the appeal committee with respect to GAZT withholding tax assessment on international operators' networks rentals outside Saudi Arabia for the years from 2004 to 2015 for an amount of SR 2.9 billion. The management believes that this service should not be subject to withholding tax as the Saudi tax regulations do not cover withholding tax on the rental of international operators' networks as well as recognition of source of income is outside Saudi Arabia. Based on the opinions of tax specialists, the nature of the services and existing similar cases where the decision was in the favour of the companies in the telecom sector, the Company's management believes that this assessment will not result into any additional provisions.

(f) The agreement signed with government agencies during the fourth quarter of 2018 (see Note 42) includes detailed mechanisms relating to the performance indicators that the Company is required to achieve within three years starting from the current year. The Company has re-evaluated the related provisions in line with the expectations of the target performance indicators which shall be reviewed periodically.

44. SUBSEQUENT EVENTS

- In its meeting held on 4 Jumada Al-Awal 1440H (corresponding to 10 January 2019), the Board of Directors approved to acquire an additional (39%) stake in Virgin Mobile Saudi Arabia for SR 151 million. The legal procedures and regulatory approvals concerning the transaction are expected to be completed during 2019 after which the Company's shareholding in Virgin Mobile Saudi Arabia will increase to (49%).

- During February 2019, the Group has subscribed for government sukuk issuances amounting to SR 1.772 million.

45. DIVIDENDS

Dividends declared and paid

During the year of 2018, the company distributed cash dividends to its shareholders for the fourth quarter of 2017 and for the first, second and third quarters of 2018 with an amount of SR 2,000 million for each quarter representing SR 1 per share which is in line with the company's previous dividends policy for the three-year period starting from the fourth quarter of 2015, approved by the Company's Board of Directors on 28 Muharram 1437H (corresponding to 10 November 2015) and approved by the General Assembly on 4 April 2016. The total dividends distributed during 2018 was SR 4 per share (2017: SR 4 per share).

Dividends proposed

On 9 Rabi Thani 1440 H (corresponding to December 16, 2018) the Board of Directors have approved the Company’s dividend policy for the next three years starting from the fourth quarter of 2018, which will be presented at the next General Assembly meeting for approval. The objective of the dividend policy is to maintain a minimum level of dividend of SR 1 per share on quarterly basis. The Company will consider and pay additional dividend subject to the Board approval after assessment and determination of the Company's financial situation, outlook and capital expenditure requirements. Additional dividends are likely to vary on quarterly basis depending on the company’s performance. The dividends policy will remain subject to:

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

In line with the above policy, the Company’s Board of Directors recommended to distribute cash dividends to the shareholders of the Company for the fourth quarter of 2018, amounting to SR 2,000 million, at a rate of SR 1 per share. Furthermore, after evaluating the financial position, future expectations and capital requirements of the Company, the Board of Directors has recommended to distribute an amount of SR 4,000 million for each share as an additional one-time special dividends for the year 2018.

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

At its meeting held on 13 Rajab 1440 H (corresponding to 20 March 2019), the Board of Directors approved the consolidated financial statements for the year 2018.