ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Interim Financial Statements (Un-audited)
For the three and nine months period ended 31 December 2014
Together with the
Independent Auditor's Review Report

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

To: **The Shareholders**
Etihad Atheeb Telecommunication Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Review
We have reviewed the accompanying interim balance sheet of **Etihad Atheeb Telecommunication Company** ("the Company") as at 31 December 2014, the related interim statement of income for the three month and the nine month periods then ended, cash flows and changes in shareholders' equity for the nine month period then ended and the attached notes (1) to (17) which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations, which we required. Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our limited review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company.

Emphasis of matter
We draw attention to Note 1 (b) to the accompanying interim financial statements, which state that the Company's current liabilities exceeded its current assets as of 31 December 2014. Moreover, the Company has accumulated losses amounting to SAR 911 million as of 31 December 2014. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's management believes that it will be able to secure the necessary funding to meet its obligations when they become due. Accordingly, the accompanying interim financial statements have been prepared under going concern basis.

For KPMG Al Fozan & Al Sadhan

Khalil Ibrahim Al Sedais
License No: 371

Date: 29 Rabi ul Awwal 1436H
Corresponding to: 20 January 2015

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET (Un-audited)
As at 31 December 2014
(Saudi Arabian Riyals)

	Note	2014	2013 (*Restated*)
ASSETS			
Current assets			
Cash and bank balances		**194,040,389**	41,307,638
Trade receivables, net	4	**74,289,259**	41,181,508
Inventories, net		**2,958,423**	6,467,433
Due from related parties	15(b)	**10,441,511**	7,002,208
Prepayments and other receivables	5	94,661,735	55,258,164
Total current assets		376,391,317	151,216,951
Non-current assets			
Long term receivable	5	**50,000,000**	--
Property and equipment, net	6, 16	**657,221,279**	856,468,853
Intangible assets, net	7	**652,505,724**	557,138,772
Total non-current assets		1,359,727,003	1,413,607,625
TOTAL ASSETS		**1,736,118,320**	1,564,824,576
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Tawarooq Islamic financing - current portion	8	**31,068,123**	31,068,127
Trade payables		**358,647,371**	256,365,374
Due to related parties	15(c)	**21,371,819**	19,896,825
Deferred income – current portion	9	**34,294,365**	50,446,208
Accrued expenses and other current liabilities		**272,007,797**	222,601,981
Total current liabilities		717,389,475	580,378,515
Non-current liabilities			
Tawarooq Islamic financing	8	**139,806,565**	170,874,689
Long term accounts payable	7.1	**185,868,263**	49,868,263
Deferred income	9	**21,349,016**	--
Provision for employees' end of service benefits		**7,478,163**	7,505,556
Total non-current liabilities		**354,502,007**	228,248,508
TOTAL LIABILITIES		**1,071,891,482**	808,627,023
SHAREHOLDERS' EQUITY			
Share capital	1	**1,575,000,000**	1,575,000,000
Accumulated losses	1, 16	**(910,773,162)**	(818,802,447)
TOTAL SHAREHOLDERS' EQUITY		**664,226,838**	756,197,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,736,118,320**	1,564,824,576

The accompanying notes (1) through (17) on pages (5) to (16) form an Integral part of these interim financial statements.

These interim financial statements and accompanying notes were approved by the Board of Directors on 20 January 2015 and are signed on behalf of the Board of Directors by:

Emad Maali
Chief Executive Officer

Sherif Salim Riad
Chief Financial Officer

Husam Sadagah
Chairman

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME (Un-audited)
(Saudi Arabian Riyals)

	Note	For the three months period ended		For the nine months period ended	
		31 December 2014	31 December 2013 (*Restated*)	**31 December 2014**	31 December 2013 (*Restated*)
Revenue from services		**60,477,840**	63,755,533	**173,673,663**	176,838,673
Cost of services	16	**(51,683,813)**	(55,866,682)	**(154,484,721)**	(148,525,617)
Gross profit		**8,794,027**	7,888,851	**19,188,942**	28,313,056
Operating expenses					
Employees' costs		**(19,343,944)**	(13,494,311)	**(45,034,306)**	(31,690,201)
Selling and marketing expenses		**(7,244,622)**	(4,367,800)	**(18,580,855)**	(19,015,152)
Depreciation and amortization	16	**(49,368,199)**	(50,565,180)	**(151,225,379)**	(150,991,380)
General and administrative expenses		**(13,013,475)**	(6,698,334)	**(32,925,278)**	(21,824,489)
Reversal of provisions		--	--	--	18,529,616
Total operating expenses		**(88,970,240)**	(75,125,625)	**(247,765,818)**	(204,991,606)
Loss from operations		**(80,176,213)**	(67,236,774)	**(228,576,876)**	(176,678,550)
Other income	10	**33,935,929**	1,436,556	**210,609,438**	2,386,892
Financial charges		**(1,430,658)**	(1,800,229)	**(4,548,553)**	(5,528,590)
Net loss for the period		**(47,670,942)**	(67,600,447)	**(22,515,991)**	(179,820,248)
(Loss) / earnings per share attributable to:	11,16				
- Loss from operations		**(0.51)**	(0.43)	(1.45)	(1.12)
- Net loss for the period		**(0.30)**	(0.43)	(0.14)	(1.14)
- Other income for the period		**0.22**	0.01	1.34	0.02
Weighted average number of shares outstanding during the period	1,11	**157,500,000**	157,500,000	**157,500,000**	157,500,000

The accompanying notes (1) through (17) on pages (5) to (16) form an integral part of these interim financial statements.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS (Un-audited)
For the nine months period ended 31 December 2014
(Saudi Arabian Riyals)

	2014	2013 (Restated)
Cash flows from operating activities		
Net loss for the period	**(22,515,991)**	(179,820,248)
Adjustments to reconcile net loss for the period to net cash flow generated from/(used in) operating activities		
Depreciation and amortization	**151,225,379**	150,991,380
Gain on sale of property	**(63,342,591)**	--
Provision for doubtful debts	**2,507,076**	--
Provision for employees' end of service benefits	**1,352,348**	2,472,045
	69,226,221	(26,356,823)
Changes in working capital		
Inventories	**2,945,194**	2,985,936
Trade receivables	**(35,082,558)**	(19,627,787)
Due from related parties	**(115,311)**	(6,624,653)
Prepayments and other receivables	**(16,966,754)**	(14,021,234)
Trade payables	**(39,731,628)**	41,835,874
Due to related parties	**1,335,049**	3,842,044
Accrued expenses and other current liabilities	**179,966,797**	9,737,074
Deferred income	**(19,904,667)**	(14,759,719)
Cash generated from / (used in) operating activities	**141,672,343**	(22,989,288)
Employees' end of service benefits paid	**(1,369,626)**	(860,509)
Net cash generated from / (used in) operating activities	140,302,717	(23,849,797)
Cash flow from investing activities		
Acquisition of property and equipment	**(23,166,349)**	(26,775,374)
Proceeds from sale of property	**60,000,000**	25,927
Net cash from / (used in) investing activities	**36,833,651**	(26,749,447)
Cash flows from financing activities		
Repayment for Tawarooq Islamic financing	**(23,301,088)**	(23,301,088)
Net cash used in financing activities	**(23,301,088)**	(23,301,088)
Net increase / (decrease) in cash and cash equivalents	**153,835,280**	(73,900,332)
Cash and cash equivalents at the beginning of the period	**40,205,109**	115,207,970
Cash and cash equivalents at the end of the period	**194,040,389**	41,307,638

Non-cash supplemental information:

Acquisition of intangible assets	**136,000,000**	--

The accompanying notes (1) through (17) on pages (5) to (16) form an integral part of these interim financial statements.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months period ended 31 December 2014
(Saudi Arabian Riyals)

	For the nine month period ended 31 December 2014		
	Share capital	**Accumulated losses**	**Total**
Balance at 31 March 2014 (audited)	**1,575,000,000**	**(888,257,171)**	**686,742,829**
Net loss for the period ended 31 December 2014	--	**(22,515,991)**	**(22,515,991)**
Balance at 31 December 2014 (un-audited)	**1,575,000,000**	**(910,773,162)**	**664,226,838**

	For the nine month period ended 31 December 2013		
	Share capital	**Accumulated losses**	**Total**
Balance at 31 March 2013 (audited and reported)	1,575,000,000	(674,761,128)	900,238,872
Effect of restatement (note 16)	--	35,778,929	35,778,929
Balance at 31 March 2013 (audited and restated)	1,575,000,000	(638,982,199)	936,017,801
Net loss for the period ended 31 December 2013 (restated)	--	(179,820,248)	(179,820,248)
Balance at 31 December 2013 (un-audited and restated)	1,575,000,000	(818,802,447)	756,197,553

The accompanying notes (1) through (17) on pages (5) to (16) form an integral part of these interim financial statements.

1) ORGANIZATION AND ACTIVITIES

a) *General information*

Etihad Atheeb Telecommunication Company (the "Company" or "GO"), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration (No. 1010263273) issued in Riyadh on 30 Safar 1430H (corresponding to 25 February 2009). The registered address of the Company is P.O. Box 25039 Riyadh 11391 Kingdom of Saudi Arabia.

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034).

The objective of the Company is to provide various fixed line and wireless services such as voice, data services, broadband internet services, internet telephony services, international gateway, and fixed telephone lines to individuals, homes and businesses. The Company commenced commercial operations from 1 January 2010.

The authorized, issued and paid up share capital of the Company is SAR 1,575 million divided into 157.5 million shares of SAR 10 each. The founding shareholders of the Company have subscribed and paid for 102.4 million shares with a nominal value of SAR 10 each, which represents 65% shares of the Company's capital and the remaining 55.1 million shares with a nominal value of SAR 10 each have been subscribed by the public.

Further to the announcement published on Tadawul's website on 30 April 2014 related to the memorandum of understanding ("MoU") signed on 20 August 2013 between a subsidiary of Etihad Etisalat Company (Mobily) (namely Bayanat Al-Oula Network Services Company "Bayanat") and certain founding shareholders of the Company (namely Atheeb Trading Company, Al Nahla for Trading and Contracting Company, Traco Group for Trading and Contracting and Saudi Internet Company), hereinafter referred to as ("Founding Shareholders"), in respect of possibility of acquisition by Bayanat of a controlling stake in the Company. However, the Company announced on 29 May 2014 that it was informed by the founding shareholders that they decided to stop negotiations with Bayanat Al-Oula as Bayanat changed their initial offer in the MoU referred to above, which constituted a high risk for the Company's future, and additional liabilities on the shareholders.

Further to the announcement published on Tadawul's website on 31 March 2014 regarding the Indefeasible Rights of Use ("IRU") agreement with "Bayanat" and referring to the IRU agreement with Bayanat Al-Oula Network Services Company signed on 30 March 2014, the Company announced on 29 May 2014 that it has terminated IRU agreement due to some technical and logistical difficulties that were not overcome by Bayanat.

Further to the announcement published on Tadawul's website on 5 June 2014 related to the Indefeasible Rights of Use "IRU" agreement with Saudi Telecom Company (STC) which was signed on 4 June 2014, STC granted the Company an IRU for 15 years for thirty thousand ports on its fiber optics network (see note 12). The IRU agreement allows both parties to agree upon increasing the ports to reach hundred thousand ports. The agreement amount for thirty thousand ports is SAR 408 million that is to be paid on installments over 5 year period.

1) ORGANIZATION AND ACTIVITIES (CONTINUED)

a) *General information (continued)*

These installments shall be financed through the Company's internal resources and the prospective resources arising from the sale of this service in addition to some licensed financing bodies if necessary; noting that this agreement is irrevocable by both parties. The ports are to be used to provide broadband internet and fixed telephone services for consumers and small business. The agreement will allow the Company to increase its competitive capability in the telecom sector through expanding and diversifying its services. Consequently, the Company's financial capabilities will be enhanced.

The Company announced on 12 June 2014 that it has executed various marketing agreements with STC amounting to SAR 309 million through which the Company will market business sector services of STC to some of its existing or new customers specially to the small and medium sized enterprises for a period of 30 months starting from the date of the agreement.

b) *Going Concern assumption and accumulated losses*

As at 31 December 2014, the Company's current liabilities exceeds its current assets by SAR 341 million (2013: SAR 429 million). Moreover, the Company has accumulated losses amounting to SAR 911 million as of 31 December 2014. The Company's management believes that it will be able to secure the necessary funding to meet its obligations when they become due. Accordingly, the accompanying interim financial statements have been prepared on going concern basis.

2) BASIS OF PREPARATION

a) *Statement of compliance*

These interim financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim financial statements do not include all the information presented in the annual financial statements; therefore, these interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2014. Further, the results of the interim period may not represent an accurate indicator for the annual results of the operations.

b) *Basis of measurement*

These interim financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept (see note 1(b)).

c) *Functional and presentation currency*

These interim financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional currency of the Company.

d) *Use of estimates and judgments*

The preparation of interim financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Estimates with a significant risk of material adjustments relates to the determination of provision for doubtful debts and provision for obsolete and slow moving inventories

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the interim financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) *Cash and cash equivalents*

For the purpose of reporting cash flows, cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

b) *Trade receivables*

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful receivable is established when there is objective evidence that the Company may not be able to collect the amounts due according to the original terms of receivables. When creating provisions, consideration is given to the type of services rendered (data, voice services, etc.), age of the receivable and the general economic situation.

Bad debts are written off when identified, against its related provisions. The provisions are charged to interim statement of income and any subsequent recoveries of receivable amounts previously written off are credited to income.

c) *Inventories*

Inventories comprise of modems, pre-paid cards, scratch cards and other telecommunication equipment, which are measured at the lower of weighted average cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value comprises estimated selling price in the ordinary course of business, less further appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

d) *Property and equipment*

Property and equipment, except land and capital work in progress, are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work in progress are carried at cost.

Depreciation is charged to the interim statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure including repair and maintenance is recognized in the interim statement of income when incurred. The estimated lives of the principal classes of assets are as follows:

	Life (Years)
Building and leasehold improvements	10
Network infrastructure	4-15
Facilities, support and IT Equipment	5

Gains or losses arising from the retirement or disposal of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the interim statement of income on the date of retirement or disposal.

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) *Intangible assets*

Intangible assets represent secured data communication license, network capacity charges and other costs incurred by the Company upon incorporation.

License fees are initially capitalized and subsequently amortized on a straight-line basis over 25 years, which is the regulatory life of the licenses, starting on 1 April 2009 and ending on 31 March 2034.

Network capacity which includes Indefeasible Rights of Use "IRU" and is amortized on a straight-line basis over the term of the agreement. Other intangibles are amortized over the estimated useful lives.

The amortization is charged to the interim statement of income over the useful life as follows:

	Life (Years)
Network capacity	7-15

Capitalized license fees and other intangibles are reviewed at each financial period end to determine if there is any impairment in their values. In case impairment is identified, it is recorded in the interim statement of income.

f) *Impairment of non-financial assets*

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement. Impairment losses recognized on intangible assets are not reversible.

g) *Accounts payable and accruals*

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

h) *Provision for employees' end of service benefits*

Provision for employees' end of service benefits, calculated in accordance with Saudi Arabian Labor Law, are accrued and charged to the interim statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *Provision for zakat and tax*

Zakat and tax are provided for in the interim financial statements in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Zakat and tax are charged to the interim statement of changes in shareholders' equity.

j) *Operating leases*

Lease of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the interim statement of income on a straight-line basis over the period of the lease.

k) *Borrowing costs*

Borrowing costs directly attributable to acquisitions or constructions of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the interim statement of income in the period in which they are incurred.

l) *Interconnection cost (only applicable for voice service)*

Interconnection cost represents connection charges to national and international telecommunication operators. Interconnection costs are recorded in the period when relevant calls are made and are charged to the interim statement of income.

m) *Revenue recognition*

Revenue represents the value of fixed or determinable considerations that are receivable and includes revenue from sharing arrangements entered into with national and international telecommunication operators in respect of traffic (data and voice) exchanged. Revenue for services rendered is recognized at amounts invoiced to customers. Fees for installation and activation are recognized as revenue upon activation. Installation and activation costs are expensed as incurred.

Service revenue received from the customer is recognized in the period in which the service is delivered. Airtime revenue is recognized on a usage basis. Deferred income related to unused airtime is recognized when utilized by the customer or on a time proportion basis over the validity period. Upon termination of the customer contract, all deferred income for unused airtime is recognized in the interim statement of income. Revenue from data services is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service. Revenue from sale of WiMAX Customer Premises Equipment ("CPE") and Dongles (i.e. a broadband wireless adapter) are recognized when the WiMAX CPE and Dongles ("WiMAX modems") are delivered to subscribers and customers. Charges billed in advance are deferred and recognized over the contracted period of service.

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) *Government charges*

Government charges represent fees and charges as stipulated in license agreements and against the right of use of telecommunications services in the Kingdom of Saudi Arabia including frequency fees. These fees are recorded as operating expenses in the related periods during which they are used and are charged to the interim statement of income.

o) *Expenses*

- cost of services comprise of expenses incurred on operations and maintenance of the network, including leased and/or purchased capacity, site rentals, inventory consumption and installation and interconnection charges.
- selling and marketing expenses are those, which specifically relate to selling and marketing of the Company's services, and include costs relating mainly to commissions and advertising as well as provision for doubtful debts.
- all other expenses, except finance charges, are classified as general and administrative expenses.

p) *Foreign currency translation*

Transactions denominated in foreign currencies are translated to Saudi Arabian Riyals at the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, assets and liabilities denominated in foreign currencies are translated to Saudi Arabian Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the interim statement of income.

4) TRADE RECEIVABLES, NET

	2014	2013
Trade receivables	**83,988,289**	47,610,688
Provision for doubtful receivables	**(9,699,030)**	(6,429,180)
	74,289,259	41,181,508

5) PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables include current portion of receivable from STC amounting to SAR 50 million in respect of sale of the Company's building and land (see note 6); the long term portion thereof has been included on balance sheet under non-current assets as long term receivable.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Un-audited)
For the nine months period ended 31 December 2014
(Saudi Arabian Riyals)

6) PROPERTY AND EQUIPMENT, NET

	2014					2013
	Land, Buildings and leasehold improvements	Network infrastructure	Facilities, support & IT equipment	Capital work in progress (Note 6.3)	Total	(Restated) Total
Cost:						
Balance at 1 April	77,647,434	1,355,546,644	28,674,333	93,002,971	1,554,871,382	1,475,184,994
Effect of restatement (note 16)	–	–	–	--	--	52,892,754
Balance at 1 April (restated)	77,647,434	1,355,546,644	28,674,333	93,002,971	1,554,871,382	1,528,077,748
Additions during the period	64,892	21,205,695	1,286,202	609,560	23,166,349	26,775,374
Disposals during the period	(74,041,707)	–	(428,803)	--	(74,470,510)	(71,143)
Capitalization during the period	–	–	–	--	–	--
Balance at 31 December	3,670,619	1,376,752,339	29,531,732	93,612,531	1,503,567,221	1,554,781,979
Accumulated depreciation:						
Balance at 1 April	9,618,496	701,766,029	19,650,336	–	731,034,861	548,946,348
Effect of restatement (note 16)	–	–	–	–	–	17,113,825
Balance at 1 April (restated)	9,618,496	701,766,029	19,650,336	--	731,034,861	566,060,173
Charge for the period	446,720	119,545,374	4,463,639	--	124,455,733	132,298,169
Eliminated on disposals	(8,804,932)	--	(339,720)	–	(9,144,652)	(45,216)
Balance at 31 December	1,260,284	821,311,403	23,774,255	--	846,345,942	698,313,126
Net book value						
At 31 December 2014	2,410,335	555,440,936	5,757,477	93,612,531	657,221,279	
At 31 December 2013						856,468,853

6.1) At 31 March 2014, the Company reassessed certain capitalized costs related to the construction of its network infrastructure (see note 16).

6.2) During the nine-month period ended 31 December 2014, the Company sold its owned building and two plots of land to STC under sale and lease back arrangement. The sale proceeds amounted to SAR 160 million that resulted in a gain of SAR 94.6 million. Further, the Company entered into and operating lease agreement with STC related to 1/3rd portion of the building, consequently the Company deferred gain of SAR 31.2 million which will be recognized as other income over the term of the lease back agreement in proportion to the rent expense over the lease period. The remaining gain of SAR 63.4 million has been recognized as other income in current interim statement of income.

6.3) Capital work in progress mainly consist of network assets for which delivery has not been accepted by the Company due to technical issues. The Company is presently negotiating with the vendor which may result in upgrading the related assets or rejection of delivery with corresponding impact on the related liabilities.

7. INTANGIBLE ASSETS, NET

	Note	2014	2013
Cost			
License fees paid to Communication & Information Technology Commission ("CITC")		**527,904,000**	527,904,000
Network capacity			
- *opening balance*		**159,260,000**	155,260,000
- *addition during the period*	7.1	**68,000,000**	--
		227,260,000	155,260,000
Network capacity under development	7.1	**68,000,000**	--
Others		**24,599,711**	24,584,711
Balance at 31 December		**847,763,711**	707,748,711
Accumulated amortization			
Balance at 1 April		**(168,488,341)**	(131,916,728)
Charge for the period		**(26,769,646)**	(18,693,211)
Balance at 31 December		**(195,257,987)**	(150,609,939)
Net book value 31 December		652,505,724	557,138,772

7.1 During the period, the Company acquired 10,000 ports out of total 30,000 ports as agreed under the IRU agreement (see note 1) with STC to use their fiber-to-the-home (FTTH) network. Out of 10,000 ports, 5,000 have been capitalized during the period and the remaining 5,000 are currently under development. The payment shall be due in four equal quarterly installments of SAR 34 million, commencing from first quarter of 2017 hence; the liability has been included under long-term accounts payable.

8. TAWAROOQ ISLAMIC FINANCING

This comprises Islamic mode of financing from a local bank (the "Bank") to meet capital and operating expenditure of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission. The Company is to repay the outstanding balance in 22 quarterly installments.

The financing balance as of 31 December was as follows:

	2014	2013
Current portion	**31,068,123**	31,068,127
Non-current potion	**139,806,565**	170,874,689
	170,874,688	201,942,816

9. DEFERRED INCOME

This represent amounts billed in advance to customers and will be recognized as revenue over the service period. This also include deferred gain which resulted from the sale and lease back agreements (see note 6, 13).

	2014	2013
Current portion	**34,294,365**	50,446,208
Non-current potion	**21,349,016**	--
	55,643,381	50,446,208

10. OTHER INCOME

Other income mainly includes SAR 67 million related to gain on sale of Company's owned building and land and SAR 127 million related to various marketing support services as the Company entered into agreements with STC to market business sector (see note 1).

11. (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share for the three-month and nine-month periods ended 31 December 2014 and 2013 is calculated by dividing the (loss) / earnings for the period by the weighted average number of shares outstanding during the period.

12. CONTINGENCIES AND COMMITMENTS

a) *Contingencies*

Letter of credit and guarantees

The Company's bankers have issued letters of credit and guarantees amounting to SAR 50 million (2013: SAR 50 million) as at the interim balance sheet date.

Legal cases status

In the normal course of business, the Company became part of legal cases with employees, and some suppliers. The Company's management believes that the value of these cases is not significant.

b) *Commitments*

The Company has commitments resulting from major agreements which were entered into and not yet executed at the interim balance sheet date amounting approximately to SAR 327 million (31 December 2013: SAR 68 million) out of which, SAR 272 million pertains to the IRU agreement signed with STC (see note 1).

13. OPERATING LEASES

The Company has various operating leases for its offices, warehouses and operational facilities. Rental expenses for the nine-month period ended 31 December 2014 amounted to SAR 37.6 million (31 December 2013: SAR 36.1 million). Also on 28 May 2014, the Company entered into an operating lease agreement for its head-office building sold to STC (see note 6) for six years with an annual rental fee of SAR 3.25 million with an exemption of the first annual rental fee.

Future rental commitments at 31 December 2014 under these operating leases are as follows:

Years ending 31 March:	SAR
2015	5,310,853
2016	45,747,514
2017	44,955,563
2018	35,995,358
2019	14,837,873
2020 and thereafter	5,188,237
	152,035,398

14. SEGEMENTAL INFORMATION

The Company has identified its main operating segments by the type of services provided to the customers. The main operating segments are explained below:

- **Voice** comprise of local and international calls including interconnection.
- **Data** comprise of internet broadband services provided to business to business (B2B) and business to consumer (B2C) customers.

	For the three months period ended		**For the nine months period ended**	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
Revenue from services				
- Voice	**25,961,301**	21,892,681	**64,024,946**	47,900,284
- Data	**34,516,539**	41,862,852	**109,648,717**	128,938,389
	60,477,840	63,755,533	**173,673,663**	176,838,673

The remaining segmental information is not currently available for the Company to disclose. The Company is working on developing such systems so as to make the information available to be disclosed in the near future.

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise the shareholders and their affiliated companies. In the ordinary course of business, the Company enters into transactions with related parties based on mutually agreed prices and contract terms approved by the Company's management.

a) ***Significant related party transactions***

		For the three months period ended		**For the nine months period ended**	
Related parties	***Nature of transaction***	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
Bahrain Telecommunications Company (BATELCO)	Data revenue	**324,793**	302,653	**898,704**	898,137
	Interconnection revenue	**16,702**	-	**918,780**	4,760,991
	Interconnection cost	-	(391,787)	**(1,765,185)**	(1,726,475)
Ithraa Capital Company	Consultancy	**(4,200,000)**	(600,000)	**(5,200,000)**	(721,715)
Founding shareholders	Management fee	**(127,314)**	(632,451)	**(822,923)**	(2,006,387)

b) ***Due from related parties***

	Relationship	**2014**	2013
Bahrain Telecommunications Company (BATELCO)	Shareholder	**9,318,993**	5,993,483
Atheeb Trading Company Limited	Shareholder	**917,122**	500,923
Saudi Arabian Marketing and Agencies Limited	Affiliate	**120,942**	345,102
Atheeb Saudi Intergraph Company Limited	Shareholder	**9,954**	97,900
Etihad Shams Company Limited	Affiliate	**74,500**	64,800
		10,441,511	7,002,208

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

c) *Due to related parties*	*Relationship*	2014	2013
Bahrain Telecommunications Company (BATELCO)	Shareholder	**16,029,318**	14,626,363
Ithraa Capital Company	Affiliate	**1,200,000**	600,000
Al Nahla Trading and Contracting Company Limited	Shareholder	**856,040**	1,713,359
Traco Group Trading and Contracting Company	Shareholder	**782,007**	734,296
Saudi Internet Company Limited	Shareholder	**586,505**	309,626
Atheeb Computer and Communications Company Limited	Shareholder	**586,505**	309,626
Atheeb Maintenance and Services Company Limited	Shareholder	**586,505**	309,626
Atheeb Trading Company Limited	Shareholder	**744,939**	1,293,929
		21,371,819	19,896,825

16. PRIOR YEAR RESTATEMENT

During the year ended 31 March 2014, the Company reassessed costs of capital nature that were erroneously charged to cost of services in prior years as a consequence, the Company restated certain prior years' amount to capitalize certain amounts of technical employees cost. The capitalized costs were added to the cost of "Network Infrastructure" under property and equipment and depreciated on straight-line basis using the related asset category depreciation rate ranging from 4 to 15 years. Accordingly, the related comparative amounts and balances presented in the interim financial statements as of and for the three and nine-month period ended 31 December 2013 were restated as follows:

	Balances previously reported 31 December 2013	**Balances restated 31 December 2013**
Balance sheet		
Property and equipment, net	1,380,825,159	**856,468,853**
Accumulated losses	(851,584,913)	**(818,802,447)**

	Amounts for three-month period ended 31 December 2013		**Amounts for nine-month period ended 31 December 2013**	
Income statement	previously reported	**Restated**	previously reported	**Restated**
Cost of services	(56,689,658)	**(55,866,682)**	(151,344,457)	**(148,525,617)**
Depreciation and amortization	(48,584,866)	**(50,565,180)**	(145,176,077)	**(150,991,380)**
Gross profit	7,065,875	**7,888,851**	25,494,216	**28,313,056**
Loss from operations	(66,079,436)	**(67,236,774)**	(173,682,087)	**(176,678,550)**
Net loss for the period	(66,443,109)	**(67,600,447)**	(176,823,785)	**(179,820,248)**

	Amounts for three-month period ended 31 December 2013		**Amounts for nine-month period ended 31 December 2013**	
Loss per share	previously reported	**Restated**	previously reported	**Restated**
Loss from operations	(0.42)	**(0.43)**	(1.10)	**(1.12)**
Net Loss for the period	(0.42)	**(0.43)**	(1.12)	**(1.14)**

16. PRIOR YEAR RESTATEMENT (CONTINUED)

The Company's management believes the reassessment of such capitalized costs as shown above more accurately reflect the Company's financial position and results of operations for the current and previous periods. Had the Company not made the reassessment of such capitalized costs, the losses for the three-month and nine-month period ended 31 December 2014 would have been lower by an amount of SAR 1.2 million and SAR 3.0 million, respectively while accumulated losses would have been higher by SAR 32.8 million.

17. PROVISION FOR ZAKAT AND TAX

The final zakat and tax declarations for the period and years ended 31 March 2010 to 2014 have been submitted to Department of Zakat and Income Tax DZIT. However, the DZIT has not yet raised an assessment for these period/ years. No zakat and tax provision has been made during the period ended 31 December 2014 and 2013 due to negative zakat base and taxable losses, computed in accordance with Saudi Arabian Zakat and tax regulations.