

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND THE NINE-MONTH
PERIODS ENDED DECEMBER 31, 2012 AND
INDEPENDENT AUDITORS' REVIEW REPORT

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Interim Financial Statements (unaudited)
For the three-month and the nine-month periods ended December 31, 2012

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

January 21, 2013

To the Shareholders of Etihad Atheeb Telecommunication Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying balance sheet of Etihad Atheeb Telecommunication Company (A Saudi Joint Stock Company) (the "Company") as of December 31, 2012 and the related statements of income for the three-month and the nine-month periods ended December 31, 2012 and the statement of cash flows and changes in shareholders' equity for the nine-month period ended December 31, 2012 and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the review is substantially less than an audit conducted in accordance with generally accepted auditing standards in Kingdom of Saudi Arabia, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Result of review

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

Emphasis of matter

We draw attention to Note 1 to the interim financial statements. The Company incurred a net loss for the period ended December 31, 2012, its current liabilities exceeded its current assets and it has accumulated losses as of that date. The Company believes that it will be able to continue to secure funding to meet its obligations in the normal course of operations. Accordingly, the accompanying interim financial statements have been prepared under the going concern basis.

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ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Balance sheet as of December 31, 2012 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		December 31, 2012	December 31, 2011
	Note	(unaudited)	(unaudited)
ASSETS			
CURRENT ASSETS			
Cash and bank balances		139,996	22,442
Inventories		6,978	7,915
Trade receivables, net		20,828	32,967
Prepayments and other current assets		45,262	55,182
TOTAL CURRENT ASSETS		213,064	118,506
NON CURRENT ASSETS			
Property and equipment	4	1,057,695	1,197,340
Intangible assets, net	5	458,703	483,564
TOTAL NON CURRENT ASSETS		1,516,398	1,680,904
TOTAL ASSETS		1,729,462	1,799,410
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses, trade and other payables		441,405	425,450
Interim funding by Founding Shareholders		-	119,900
Deferred revenue	6	68,049	56,452
Tawarooq Islamic financing - current portion	7	31,068	793,137
TOTAL CURRENT LIABILITIES		540,522	1,394,939
NON CURRENT LIABILITIES			
Tawarooq Islamic financing	7	201,943	281,658
Long term accounts payable		49,868	49,868
Employees' termination benefits		5,502	5,350
TOTAL NON CURRENT LIABILITIES		257,313	336,876
TOTAL LIABILITIES		797,835	1,731,815
SHAREHOLDERS' EQUITY			
Share capital	1	1,575,000	400,000
Accumulated losses	1	(643,373)	(332,405)
TOTAL SHAREHOLDERS' EQUITY		931,627	67,595
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,729,462	1,799,410

The attached notes 1 to 13 form an integral part of these interim financial statements

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ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Statement of income

For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-months ended December 31		Nine-months ended December 31,	
	Note	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Revenue from services	8	69,645	61,319	206,059	179,980
Cost of services		(56,965)	(48,726)	(169,652)	(163,443)
GROSS PROFIT		12,680	12,593	36,407	16,537
OPERATING EXPENSES					
Employee costs		(13,275)	(13,369)	(42,160)	(26,653)
Selling and marketing expenses		(9,817)	(9,244)	(28,439)	(27,361)
Depreciation and amortization		(57,870)	(51,709)	(171,676)	(164,564)
General and administration expenses		(14,185)	(12,316)	(32,150)	(39,313)
TOTAL OPERATING EXPENSES		(95,147)	(86,638)	(274,425)	(257,891)
LOSS FROM OPERATIONS		(82,467)	(74,045)	(238,018)	(241,354)
Settlement with a vendor	10	-	287,856	-	287,856
Other income		130	-	2,112	-
Financial charges		(2,072)	(7,851)	(6,830)	(24,736)
NET (LOSS) INCOME FOR THE PERIOD		(84,409)	205,960	(242,736)	21,766
Weighted average number of shares (thousands)	1,9	157,500	62,596	157,500	62,596
Loss (income) per share:					
Attributable to loss from operations	9	(0.52)	(1.18)	(1.51)	(3.86)
Attributable to net (loss) income for the period	9	(0.54)	3.29	(1.54)	0.35

The attached notes 1 to 13 form an integral part of these interim financial statements

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
For the nine-month period ended December 31, 2012 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	December 31, 2012 (unaudited)	December 31, 2011 (unaudited)
OPERATING ACTIVITIES		
Net (loss) income for the period	(242,736)	21,766
Adjustment for:		
Settlement with a vendor	-	(287,856)
Depreciation and amortization	171,676	164,564
Provision for employees' termination benefits	1,785	1,598
Provision for slow moving inventories	3,227	-
Operating cash flow before changes in operating assets and liabilities	(66,048)	(99,928)
Changes in operating assets and liabilities:		
Inventories	(2,929)	2,531
Trade receivables	(1,202)	(11,775)
Prepayments and other current assets	5,966	431
Accrued expenses, trade and other payables	(11,188)	(55,501)
Deferred revenues	15,461	(7,174)
Employees' termination benefits paid	(1,039)	(1,013)
Net cash used in operating activities	(60,979)	(172,429)
INVESTING ACTIVITIES		
Purchase of property and equipment	(29,339)	(6,811)
Purchase of intangible assets	(14)	-
Proceeds from sale of property and equipment	32	-
Net cash used in investing activities	(29,321)	(6,811)
FINANCING ACTIVITIES		
Proceeds from Rights Issue	1,175,000	-
Payment against Interim funding by founding shareholders	(119,900)	119,900
Proceeds from tawarooq Islamic financing	-	19,795
Payment against tawarooq Islamic financing	(841,784)	(125,000)
Net cash generated from financing activities	213,316	14,695
INCREASE (DECREASE) IN CASH AND BANK BALANCES DURING THE PERIOD	123,016	(164,545)
Cash and bank balances at the beginning of the period	16,980	186,987
CASH AND BANK BALANCES AT THE END OF THE PERIOD	139,996	22,442
SIGNIFICANT NON-CASH TRANSACTIONS:		
Purchase of property and equipment	-	(364,368)

The attached notes 1 to 13 form an integral part of these financial statements

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
For the period ended December 31, 2012 and 2011 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Accumulated losses	Total
	(unaudited)	(unaudited)	(unaudited)
Balance at March 31, 2011	1,000,000	(954,171)	45,829
Reduction of share capital to absorb losses (Note 1)	(600,000)	600,000	-
Net income for the nine-month period ended December 31, 2011	-	21,766	21,766
Balance at December 31, 2011	400,000	(332,405)	67,595
Balance at March 31, 2012	400,000	(400,637)	(637)
Capital Increased (Note 1)	1,175,000	-	1,175,000
Net loss for the nine-month period ended December 31, 2012	-	(242,736)	(242,736)
Balance at December 31, 2012	1,575,000	(643,373)	931,627

The attached notes 1 to 13 form an integral part of these interim financial statements





ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Etihaad Athéeb 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 February 25, 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 (February 25, 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (February 26, 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 April 1, 2009 and ending on March 31, 2034).

The Company provides 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 via Worldwide Interoperability for Microwave Access ("WiMAX") technology as access technology. The Company commenced commercial operations from January 1, 2010.

At date of incorporation, the Company's authorized and paid share capital amounted to Saudi Riyals 1 billion consisting of 100 million shares (Saudi Riyals 10 par value per share).

On August 06, 2011 the extra ordinary general assembly approved reducing the Company's share capital from Saudi Riyals 1 billion to Saudi Riyals 400 million, by transferring Saudi Riyals 600 million from share capital to the accumulated losses.

On January 14, 2012 the extra ordinary general assembly approved increasing the Company's share capital from Saudi Riyals 400 million by Saudi Riyals 1,175 million to become Saudi Riyals 1,575 million, through a rights issue. The last day to exercise the rights was March 31, 2012. Accordingly, the Company's authorized and paid share capital, after the reduction and rights issue, is Saudi Riyals 1,575,000,000 consisting of 157,500,000 shares (Saudi Riyals 10 par value per share) with an adjustment factor of 1.56.

The Company incurred an operating loss of Saudi Riyals 302 million during the year ended March 31, 2012. In order to fund ongoing operations, the extraordinary general assembly meeting, held on January 14, 2012, approved a rights issue of 1,175 million in the quarter ended March 31, 2012. The Company shares have started trading on the Saudi Stock Exchange ("Tadawul") from 16 Jamad Awal 1433H (corresponding to April 8, 2012).

Further, the Company incurred a net loss for the period ended December 2012, its current liabilities exceeded its current assets and it has accumulated losses as of that date. These conditions indicate that the Company's ability to meet its obligations as they become due and to continue as a going concern depends upon the Company's ability to arrange adequate funds in a timely manner. The Company believes that it will be successful in its efforts to secure funding to meet its obligations in the normal course of its operations. Accordingly, the accompanying interim financial statements have been prepared under the going concern basis.

The accompanying interim financial statements were approved for issue by the Board of Directors on January 21, 2013.

2 Basis of preparation

The accounting policies adopted in the preparation of the interim financial statements, summarized below, are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended March 31, 2012.

a) Statement of compliance

The interim financial statements have been prepared in accordance with accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

b) Basis of measurement

These interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting. The Company's interim results may not be indicative of its annual results.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the Interim financial statements

For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

c) Functional and presentation currency

These interim financial statements are presented in Saudi Riyals which is the functional currency of the Company.

3 Significant accounting policies

a. Use of estimates

The preparation of interim financial statements in conformity with accounting standards generally accepted in Saudi Arabia requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

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.

b. Accounts receivable

Accounts receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts provision is written-off as incurred.

c. Provision for doubtful debts

The Company reviews its accounts receivable for the purpose of creating required provisions against doubtful debts. 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.

d. Intangible assets

Intangible assets represent secured data communication license 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 April 1, 2009 and ending on March 31, 2034. Other intangibles are amortized over the estimated useful lives.

The amortization is charged to the statement of income. Capitalized license fees 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 statement of income.

e. Property and equipment

Property and equipment, except land and capital work in progress, are stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are stated at cost. Routine repair and maintenance costs are expensed as incurred. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the following estimated useful lives.

	<u>Life (Years)</u>
Buildings and civil works	7-20
Network infrastructure	4-7
Network capacity	15
Information Technology ("IT") Equipment	5
Facilities and support	5-10

Major renewals and improvements are capitalized if they increase the productivity or the operating useful life of the assets. Gain or loss on disposal of property and equipment represent the difference between the sale proceeds and the carrying amount of these assets and is recognized in the statement of income.

f. Impairment of assets

Financial assets, property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

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' termination benefits

The provision for employees' termination benefits calculated in accordance with the Saudi Arabian Labor Law are accrued and charged to the statement of income.

i. Foreign currency translation

Transactions denominated in foreign currencies are recorded and translated into Saudi Riyals at the rates of exchange prevailing at the date of the transaction. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on that date. Gains and losses arising on translation are recognized in the statement of income.

j. Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

k. Government charges

Government charges represent fees and charges as stipulated in license agreements and paid 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 statement of income.

l. Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian financial regulations. The liability is charged to the statement of changes in shareholders' equity.

m. Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year (after deducting losses, zakat and income tax) should be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not currently available for distribution.

n. Operating leases

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

o. Interconnection cost (only applicable for voice service)

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

p. 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 revenue 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 revenue for unused airtime is recognized in the 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.

q. Expenses

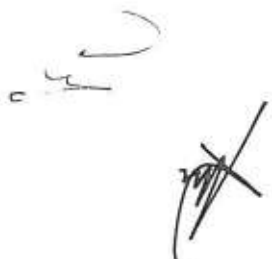
Cost of service comprises expenses incurred on operations and maintenance of the network, including leased and/or purchased capacity, inventory consumption and installation and interconnection charges. Selling and marketing expenses are those, which specifically relate to selling and marketing of the Company's products, and include costs relating mainly to commissions and advertising as well as provision for doubtful debts. All other expenses are classified as general and administrative expenses.

r. Inventory

Inventory comprises WiMAX modems, pre-paid cards, scratch cards and other telecommunication equipment. Inventories are stated at the lower of cost or net realizable value. Net realizable value represents the difference between estimated selling price in the ordinary course of business and all necessary expenses expected to be incurred in selling the inventory. Cost is determined on a weighted average basis.

s. Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalized up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the statement of income.



ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Property and equipment

	Land and buildings	Network infrastructure	Network capacity	Facilities, support & IT	Work In progress	2012 Total	2011 Total
Cost:							
March 31 balance	77,547	1,238,271	146,760	26,253	115,977	1,604,808	1,574,496
Additions during the period	60	11,259	-	1,542	16,478	29,339	44,443
Transfers during the period	-	29,454	8,500	-	(37,954)	-	-
Disposals	-	-	-	(64)	-	(64)	-
Adjustment	-	-	-	-	-	-	(37,632)
December 31 balance	77,607	1,278,984	155,260	27,731	94,501	1,634,083	1,581,307
Accumulated depreciation:							
March 31 balance	6,424	388,060	20,445	8,506	-	423,435	238,095
Charge for the period	2,261	138,786	8,592	3,346	-	152,985	150,861
Disposals	-	-	-	(32)	-	(32)	-
Adjustment	-	-	-	-	-	-	(4,989)
December 31 balance	8,685	526,846	29,037	11,820	-	576,388	383,967
Net book values	68,922	752,138	126,223	15,911	94,501	1,057,695	1,197,340

Network capacity represents infeasible right to use ("IRU") acquired on a Fibre Optic cable network for local service connectivity for a period of fifteen years connecting the Company's headquarters in Riyadh, replacing capacity lease charges costs otherwise incurred.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the Interim financial statements**For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Intangible assets, net**As of December 31:****Cost:**

License fees paid to Communication & Information Technology Commission ("CITC")

Other

	2012	2011
License fees paid to Communication & Information Technology Commission ("CITC")	527,964	527,904
Other	24,510	24,510
	<u>552,474</u>	<u>552,414</u>
Amortization:		
March 31 balance	(75,080)	(50,158)
Charge for the period	(18,691)	(18,692)
December 31 balance	<u>(93,771)</u>	<u>(68,850)</u>
	<u>458,703</u>	<u>483,564</u>

License fees are amortized on a straight-line basis over 25 years, which is the regulatory life of the license.

6 Deferred revenue

These represent amounts billed in advance to customers and will be recognized as revenue over the service period.

7 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 standard mutually agreed terms.

The financing balance as of December 31 was as follows:

	2012	2011
Current portion	31,068	793,137
Non-current portion	201,843	281,658
	<u>233,011</u>	<u>1,074,795</u>

The non-current portion amounting to Saudi Riyals 202 million will be settled in twenty six quarterly installments starting from January 2014 and ending on April 2020.

8 Revenue from services

Revenue recognized is in respect of broadband and voice services provided to subscribers during the period and termination revenue billed to other telecommunication operators for the period ended December 31, 2012.

9 Income (loss) per share

Income (loss) per share for the three month and nine-month periods ended December 31, 2012 and 2011 is calculated by dividing the Income (loss) for the period by the ordinary issued and outstanding shares at the period end.

The Income (loss) per share for the comparative period has been adjusted to reflect the effect of reduction of share capital and rights issue retroactively (see Note 1). The outstanding numbers of shares as of December 31, 2011 were 40,000,000 shares before adjustment of rights issue. After using multiple of an adjustment factor of 1.56, to adjust it for the rights issue, the restated weighted average number of shares is 62,596,154.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month and the nine-month periods ended December 31, 2012 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Settlement with a vendor

In December 2011, the Company reached and signed a full and final settlement with a vendor on the performance of supplied assets, which resulted in extinguishment of related payables. The amounts in the interim statement of income are disclosed net of related expenses for the period ended December 31, 2011 (for the period ended December 31, 2012: Nil).

11 Commitments and contingencies

a) Major capital commitments

The company had commitments resulting from major contracts which were entered into and not yet executed at the balance sheet date amounting approximately to Saudi Riyals 65 million (December 31, 2011: Saudi Riyals 95 million).

b) Letter of credit and guarantees

The Company's bankers have issued letters of credit and guarantees amounting to Saudi Riyals 51 million (December 31, 2011: Saudi Riyals 94 million) (including temporary sub allocation of facilities) as at the balance sheet date.

c) The Company has the legal claims summarized as below:

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

The company filed an appeal to the Board of Grievance against the Communications and Information Technology Commission's assessment decision that fined the Company an amount of Saudi Riyals 5 million related to a service provided by them. The appeal is still under consideration by the Board of Grievances in Riyadh, Saudi Arabia.

12 Segmental information

The Company's operation is mainly in the broadband services in Saudi Arabia, other operating segments are not material to be separately disclosed as of December 31, 2012.

13 Related party transactions

Transactions with related parties comprise transactions with the founding shareholders (Bahrain Telecommunications Company ("BATELCO") and Atheeb Trading Company ("Atheeb").

The Company settled Saudi Riyals 119,900,000 against the interim funding provided by the founding shareholders after the rights issued was completed.

BATELCO provides technical and management support to the Company and was reimbursed for costs of seconded staff and internal audit fees of Saudi Riyals 1,088,278 (December 31, 2011: Saudi Riyals 2,087,936).

The Company accrued an amount of Saudi Riyals 1,888,772 (December 31, 2011: Saudi Riyals 1,794,705) as management fees and Saudi Riyals 532,349 (December 31, 2011: Saudi Riyals 2,131,073) as financial charges to its founding shareholders during the period ended December 31, 2012. The financial charges incurred are in respect of compensation for corporate guarantees issued by the founding shareholders.

The Company incurred an amount of Saudi Riyals 77,458 as services revenue made during the period to a founding shareholder (December 31, 2011: Nil).