

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND THE SIX-MONTH
PERIODS ENDED SEPTEMBER 30, 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 six-month periods ended September 30, 2012

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

October 21, 2012

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 September 30, 2012 and the related statements of income for the three-month and the six-month periods ended September 30, 2012 and the cash flows and changes in shareholders' equity for the six-month period ended September 30, 2012 and the related notes which form an integral part of these interim financial statements. These interim financial statements were prepared by the Company and presented to us with all information and explanations which we required.

Except as explained in the following paragraph, we conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited 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 limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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.

Basis of qualified conclusion

As a result of a final and complete settlement agreement with a vendor amounting to Saudi Riyals 307.5 million in favor of the Company in relation to certain supplied property and equipment that caused the Company to start conducting impairment assessment for its properties and equipments, we were unable to complete our review of property and equipment relating to the network infrastructure and capacity included in the interim financial statements. The Company still in the process of completing the impairment assessment and hence the Company has not recognized any impairment loss in the three-month and the six-month periods ended September 30, 2012. Had we been able to complete our review of property and equipment, matters might have come to our attention indicating that adjustments might be necessary to the interim financial statements.


Qualified conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, 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 principles generally accepted in Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 to the interim financial statements. The Company incurred net loss for the period ended September 30, 2012 and its current liabilities exceeded its current assets and has accumulated losses as of that date. The Company believes that it will be able 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 at September 30, 2012 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)
ASSETS			
CURRENT ASSETS			
Cash and bank balances		170,610,897	32,641,386
Inventories		5,103,744	8,468,725
Trade receivables, net		22,412,894	25,492,328
Prepayments and other current assets		55,187,920	63,805,803
TOTAL CURRENT ASSETS		253,315,455	130,208,242
NON CURRENT ASSETS			
Property and equipment	4	1,100,388,415	1,259,775,322
Intangible assets, net	5	464,933,337	489,839,279
TOTAL NON CURRENT ASSETS		1,565,321,752	1,749,614,601
TOTAL ASSETS		1,818,637,207	1,879,822,843
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accrued expenses, trade and other payables		440,691,665	464,963,917
Deferred revenue	6	66,050,260	61,705,640
Tawarooq Islamic financing - current portion	7	31,068,124	855,637,032
TOTAL CURRENT LIABILITIES		537,810,049	1,382,306,589
NON CURRENT LIABILITIES			
Tawarooq Islamic financing	7	209,709,844	281,657,968
Long term accounts payable		49,868,263	349,827,439
Employees' terminal benefits		5,212,558	4,395,884
TOTAL NON CURRENT LIABILITIES		264,790,665	635,881,291
TOTAL LIABILITIES		802,600,714	2,018,187,880
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital	1	1,575,000,000	400,000,000
Accumulated losses	1	(558,963,507)	(538,365,037)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)		1,016,036,493	(138,365,037)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		1,818,637,207	1,879,822,843

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY**(A Saudi Joint Stock Company)****Statement of Income****For the three-month and the six-month periods ended September 30, 2012 (Unaudited)****(All amounts in Saudi Riyals unless otherwise stated)**

	Note	Three months ended 30 September 2012 (unaudited)	Three months ended 30 September 2011 (unaudited)	Six months ended 30 September 2012 (unaudited)	Six months ended 30 September 2011 (unaudited)
Revenue from services	8	67,837,905	58,392,031	136,414,309	118,660,590
Cost of services		(55,127,689)	(54,769,865)	(112,687,268)	(114,716,256)
GROSS PROFIT		12,710,216	3,622,166	23,727,041	3,944,334
OPERATING EXPENSES					
Employee costs		(14,278,573)	1,205,736	(28,884,892)	(13,284,472)
Selling and marketing expenses		(10,524,578)	(6,479,311)	(18,622,238)	(18,116,532)
Depreciation and amortization expenses		(57,151,519)	(56,453,732)	(113,805,765)	(112,855,422)
General and administration expenses		(8,943,918)	(19,714,168)	(17,965,213)	(26,997,192)
TOTAL OPERATING EXPENSES		(90,898,588)	(81,441,475)	(179,278,108)	(171,253,618)
LOSS FROM MAIN OPERATIONS		(78,188,372)	(77,819,309)	(155,551,067)	(167,309,284)
Other income		1,376,400	-	1,982,230	-
Financial charges		(2,094,898)	(7,567,655)	(4,758,156)	(16,884,800)
NET LOSS FOR THE PERIOD		(78,906,870)	(85,386,964)	(158,326,993)	(184,194,084)
Weighted average number of shares	1,9	157,500,000	62,596,154	157,500,000	62,596,154
Loss per share:					
Attributable to loss from main operations	9	(0.50)	(1.24)	(0.99)	(2.67)
Attributable to net loss for the period	9	(0.50)	(1.36)	(1.01)	(2.94)

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
For the six-month period ended September 30, 2012 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)



	September 30, 2012 (unaudited)	September 30, 2011 (unaudited)
OPERATING ACTIVITIES		
Net loss for the period	(158,326,993)	(184,194,084)
Adjustment for:		
Depreciation and amortization	113,805,765	112,855,422
Provision for employees' termination benefits	1,303,774	478,248
Provision for slow moving inventories	3,227,110	-
Operating cash flows before changes in operating assets and liabilities	(39,990,344)	(70,860,414)
Changes in operating assets and liabilities:		
Inventories	(1,055,048)	(1,977,229)
Trade receivables	(2,786,841)	(4,300,287)
Prepayments and other current assets	(3,960,023)	(8,022,446)
Accrued expenses, trade and other payables	(11,900,883)	14,834,698
Deferred revenues	13,462,902	(1,920,193)
Cash used in operations	(46,230,237)	(68,291,413)
Employees' termination benefits paid	(847,054)	(847,441)
Net cash used in operating activities	(47,077,291)	(69,138,854)
INVESTING ACTIVITIES		
Purchase of property and equipment	(20,362,842)	(42,487,220)
Purchase of intangible assets	(13,752)	(15,000)
Proceeds from sale of property and equipment	2,082	-
Net cash used in investing activities	(20,374,512)	(42,502,220)
FINANCING ACTIVITIES		
Proceeds from Rights Issue	1,175,000,000	-
Payment against Interim funding by founding shareholders	(119,900,000)	-
Proceeds from tawarooq Islamic financing	-	19,795,000
Payment against tawarooq Islamic financing	(834,017,032)	(62,500,000)
Net cash from (used in) financing activities	221,082,968	(42,705,000)
INCREASE (DECREASE) IN CASH AND BANK BALANCES DURING THE PERIOD	153,631,165	(154,346,074)
Cash and bank balances at the beginning of the period	16,979,732	186,987,460
CASH AND BANK BALANCES AT THE END OF THE PERIOD	170,610,897	32,641,386
SIGNIFICANT NON-CASH TRANSACTIONS:		
Purchase of property and equipment	-	(18,718,728)

The attached notes 1 to 13 form part of these financial statements (Unaudited)

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
For the period ended September 30, 2012 and 2011 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital (unaudited)	Accumulated losses (unaudited)	Total (unaudited)
Balance at 31 March 2011	1,000,000,000	(954,170,953)	45,829,047
Reduction of share capital to absorb losses (note 1)	(600,000,000)	600,000,000	-
Net loss for the six-month period ended September 30, 2011	-	(184,194,084)	(184,194,084)
Balance at 30 September 2011	400,000,000	(538,365,037)	(138,365,037)
Balance at 1 April 2011	1,000,000,000	(954,170,953)	45,829,047
Reduction of share capital to absorb losses (note 1)	(600,000,000)	600,000,000	-
Net loss for the year ended March 31, 2012	-	(46,465,561)	(46,465,561)
Balance at March 31, 2012	400,000,000	(400,636,514)	(636,514)
Capital Increased (note 1)	1,175,000,000	-	1,175,000,000
Net loss for the six-month period ended September 30, 2012	-	(158,326,993)	(158,326,993)
Balance at 30 September 2012	1,575,000,000	(558,963,507)	1,016,036,493

The attached notes 1 to 13 form 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 six-month periods ended September 30, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

1 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 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 01, 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 net loss for the period ended September 2012 and its current liabilities exceeded its current assets and 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 October 21, 2012.

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 six-month periods ended September 30, 2012 (Unaudited)****(All amounts in Saudi Riyals 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.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and the six-month periods ended September 30, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

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' terminal benefits

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

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 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 six-month periods ended September 30, 2012 (Unaudited)

(All amounts in Saudi Riyals 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 six-month periods ended September 30, 2012 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

4 Property and equipment

	Land and buildings	Network infrastructure	Network capacity	Facilities, support & IT	Work in progress	September 30, 2012 Total	September 30, 2011 Total
Cost:							
Opening balance	77,546,528	1,238,270,944	146,760,000	26,253,463	115,977,155	1,604,808,090	1,574,495,792
Additions during the period	60,394	2,355,448	-	1,469,080	16,477,920	20,362,842	23,768,492
Transfers during the period	-	29,453,968	8,500,000	-	(37,953,968)	-	-
Disposals	-	-	-	(3,500)	-	(3,500)	-
Closing balance	77,606,922	1,270,080,360	155,260,000	27,719,043	94,501,107	1,625,167,432	1,598,264,284
Accumulated depreciation:							
Opening balance	6,423,820	388,060,366	20,445,410	8,505,546	-	423,435,142	238,095,259
Charge for the period	1,507,284	91,884,956	5,728,080	2,224,973	-	101,345,293	100,393,703
Disposals	-	-	-	(1,418)	-	(1,418)	-
Closing balance	7,931,104	479,945,322	26,173,490	10,729,101	-	524,779,017	338,488,962
Net book values	69,675,818	790,135,038	129,086,510	16,989,942	94,501,107	1,100,388,415	1,259,775,322

Network capacity represents indefeasible 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 six-month periods ended September 30, 2012 (Unaudited)****(All amounts in Saudi Riyals unless otherwise stated)****5 Intangible assets, net**

	2012	2011
As at September 30:		
Cost :		
License fees paid to Communication & Information Technology Commission ("CITC")	527,964,001	527,949,000
Other	24,509,712	24,509,712
	<u>552,473,713</u>	<u>552,458,712</u>
Amortization:		
Opening balance	(75,079,904)	(50,157,714)
Charge for the period	(12,460,472)	(12,461,719)
	<u>(87,540,376)</u>	<u>(62,619,433)</u>
	<u>464,933,337</u>	<u>489,839,279</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 at September 30 was as follows:

	2012	2011
Current portion	31,068,124	855,637,032
Non-current portion	209,709,844	281,657,968
	<u>240,777,968</u>	<u>1,137,295,000</u>

The non-current portion amounting to Saudi Riyals 210 million will be settled in twenty seven quarterly installments start from October 2013 and ended on April 2020.

8 Revenue from services

Revenue recognized are in respect of broadband and voice services availed to subscribers during the period and termination revenue billed to other telecommunication operators for the period ended September 30, 2012.

9 Loss per share

Loss per share for the six -month period ended September 30, 2012 and 2011 is calculated by dividing the loss for the period by the ordinary issued and outstanding shares at the period end.

The loss per share for the comparative period has been adjusted to reflect the effect of reduction of share capital and rights retroactively (see Note 1). The outstanding numbers of shares as of September 30, 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.

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(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month and the six-month periods ended September 30, 2012 (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

10 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 77 Million (September 30, 2011: Saudi Riyals 142 million).

b) Letter of credit and guarantees

The Company's bankers have issued letters of credit and guarantees amounting to Saudi Riyals 65 Million (September 30, 2011: Saudi Riyals 380 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 labors, and some suppliers in the normal course of business, the Company's management believe that the value 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.

11 Segmental information

The objective of the segment reporting standard promulgated by the Saudi Organization for Certified Public Accountants is to disclose detailed information on the results of each of the main operating segments. Given that the Company's most revenue is from broadband services, other operating segments are not material to be separately disclosed as of September 30, 2012.

12 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 of Saudi Riyals Nil (September 30, 2011: Saudi Riyals 2,087,936).

The Company accrued an amount of Saudi Riyals 1,150,731 (September 30, 2011: Saudi Riyals 1,199,319) as management fees and Saudi Riyals 357,543 (September 30, 2011: Saudi Riyals 1,442,669) as financial charges to its founding shareholders during the period ended September 30, 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 2,034,458 as services revenue made during the period to a founding shareholder (September 30, 2011: Saudi Riyals Nil).

13 Reclassification

Some of the prior period amounts have been reclassified to conform with the presentation in the current period.