

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS FOR THE YEAR
ENDED MARCH 31, 2013 AND INDEPENDENT
AUDITORS' REPORT

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ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Financial Statements for the year ended March 31, 2013

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INDEPENDENT AUDITORS' REPORT

May 26, 2013

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

Scope of audit

We have audited the accompanying balance sheet of Etihad Atheeb Telecommunication Company (the "Company") as of March 31, 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (25) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion


In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of March 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

Emphasis of matter

We draw attention to Note 1 to the financial statements. The Company incurred a net loss for the year ended March 31, 2013, 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 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
(All amounts in Saudi Riyals unless otherwise stated)

ASSETS	Note	March 31,	
		2013	2012
CURRENT ASSETS:			
Cash and cash equivalent		115,207,970	16,979,732
Inventories		9,453,369	7,275,806
Trade receivables, net	4	21,931,276	21,660,511
Prepayments and other current assets	5	41,236,930	49,193,439
TOTAL CURRENT ASSETS		187,829,545	95,109,488
NON CURRENT ASSETS:			
Property and equipment	6, 15	1,049,582,762	1,181,372,948
Intangible assets, net	7	452,487,867	477,380,057
TOTAL NON CURRENT ASSETS		1,502,070,629	1,658,753,005
TOTAL ASSETS		1,689,900,174	1,753,862,493
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accrued expenses, trade and other payables	8	427,238,040	452,584,778
Interim funding by founding shareholders		-	119,900,000
Deferred revenue	9	65,205,927	52,587,358
Tawarooq Islamic financing - current portion	10	31,068,122	849,551,094
Due to related party	22	8,127,010	7,770
TOTAL CURRENT LIABILITIES		531,639,099	1,474,631,000
NON CURRENT LIABILITIES:			
Tawarooq Islamic financing	10	194,175,782	225,243,906
Long term accounts payable		57,952,401	49,868,263
Employees' termination benefits		5,894,020	4,755,838
TOTAL NON CURRENT LIABILITIES		258,022,203	279,868,007
TOTAL LIABILITIES		789,661,302	1,754,499,007
SHAREHOLDERS' EQUITY:			
Share capital	1	1,575,000,000	400,000,000
Accumulated losses	1	(674,761,128)	(400,636,514)
TOTAL SHAREHOLDERS' EQUITY		900,238,872	(636,514)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,689,900,174	1,753,862,493

The attached notes 1 to 25 form an integral part of these financial statements

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended March 31,	
		2013	2012
Revenue from services	11	266,484,008	246,901,054
Costs of services	12	(219,190,854)	(210,676,151)
GROSS PROFIT		47,293,154	36,224,903
OPERATING EXPENSES			
Employee costs	13	(55,790,990)	(42,846,026)
Selling and marketing expenses	14	(37,080,167)	(35,068,111)
Depreciation and amortization	15	(182,380,048)	(210,262,073)
General and administration expenses	16	(40,208,411)	(50,492,389)
TOTAL OPERATING EXPENSES		(315,459,616)	(338,668,599)
LOSS FROM OPERATIONS		(268,166,462)	(302,443,696)
Settlement with a vendor	23	-	287,856,102
Other income		2,837,570	78,000
Financial charges	17	(8,795,722)	(31,955,967)
NET (LOSS) FOR THE YEAR		(274,124,614)	(46,465,561)
Weighted average number of shares	1, 18	157,500,000	62,596,154
(Loss) per share:			
Attributable to loss from operations	18	(1.70)	(4.83)
Attributable to net (loss) for the year	18	(1.74)	(0.74)

The attached notes 1 to 25 form an integral part of these financial statements.

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ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	<u>For the year ended March 31,</u>	
	2013	2012
OPERATING ACTIVITIES		
Net (loss) for the year	(274,124,614)	(46,465,561)
Adjustment for:		
Settlement with a vendor	-	(287,856,102)
Depreciation and amortization	182,380,048	210,262,073
Loss on sale of property and equipment	2,494	-
Provision for employees' termination benefits	2,354,556	1,167,607
Provision for slow moving inventories	2,461,517	4,106,761
Operating cash flow before changes in operating assets and liabilities	<u>(86,925,999)</u>	<u>(118,785,222)</u>
Changes in operating assets and liabilities:		
Inventories	(4,639,080)	(936,613)
Trade receivables	(270,765)	1,565,988
Prepayments and other current assets	7,956,509	4,355,460
Accrued expenses, trade and other payables	(17,262,600)	(15,730,233)
Deferred revenues	12,618,569	(11,038,475)
Employees' termination benefits paid	(1,216,374)	(1,176,846)
Due to related party	8,119,240	7,770
Net cash used in operating activities	<u>(81,620,500)</u>	<u>(141,738,171)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(25,700,404)	(42,948,308)
Purchase of intangible assets	(28,750)	(16,249)
Proceeds from sale of property and equipment	28,988	-
Net cash used in investing activities	<u>(25,700,166)</u>	<u>(42,964,557)</u>
FINANCING ACTIVITIES		
Proceeds from rights issue	1,175,000,000	-
Payment against interim funding by founding shareholders	(119,900,000)	-
Interim funding by founding shareholders	-	119,900,000
Proceeds from tawarooq Islamic financing	-	19,795,000
Payment against tawarooq Islamic financing	(849,551,096)	(125,000,000)
Net cash generated from financing activities	<u>205,548,904</u>	<u>14,695,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	98,228,238	(170,007,728)
Cash and cash equivalents at the beginning of the year	<u>16,979,732</u>	<u>186,987,460</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	115,207,970	16,979,732
SIGNIFICANT NON-CASH TRANSACTIONS:		
Purchase of property and equipment	-	300,492,112

The attached notes 1 to 25 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 year ended March 31, 2013
 (All amounts in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance at March 31, 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	<u>-</u>	<u>(46,465,561)</u>	<u>(46,465,561)</u>
Balance at March 31, 2012	400,000,000	(400,636,514)	(636,514)
Issuance of right issue (Note 1)	1,175,000,000	-	1,175,000,000
Net loss for the year ended March 31, 2013	<u>-</u>	<u>(274,124,614)</u>	<u>(274,124,614)</u>
Balance at March 31, 2013	<u>1,575,000,000</u>	<u>(674,761,128)</u>	<u>900,238,872</u>

The attached notes 1 to 25 form an integral part of these financial statements

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended March 31, 2013
(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 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 extraordinary 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 extraordinary 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 year ended March 31, 2013, 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 financial statements have been prepared under the going concern basis.

The accompanying financial statements were approved for issue by the Board of Directors on May 24, 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.3 Foreign currency translations

(a) Reporting currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

2.6 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.

2.7 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.

2.8 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. During the year, the Company revised its estimated useful lives for its property and equipment to be as follows (see note 15):

	<u>Life (Years)</u>
Buildings	40
Civil works	10-15
Network infrastructure	4-15
Network capacity	7-15
Information Technology ("IT") Equipment	5
Facilities and support	5

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. The regular expense of maintenance and repairs, which is not significantly will increase the estimated useful life of the assets, will be reported in the income statement. Major renewals and improvements are capitalized, if any. The assets replaces will be excluded.

2.9 Impairment of non-current 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.

2.10 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.

2.11 Provision for employees' termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor regulations applied in the Kingdom of Saudi Arabia.

2.12 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.

2.13 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.

2.14 Zakat and income tax

The Company's Saudi shareholders are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Foreign shareholders are subject to income taxes. Zakat and Income tax provisions related to the shareholders are charged to their related shareholders accounts. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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Notes to the financial statements for the year ended March 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

The Company withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia including dividends to the foreign shareholders as required under Saudi Arabian Income Tax Law.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Expenses

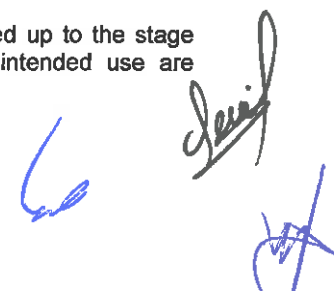
Cost of service comprises expenses incurred on operations and maintenance of the network, including leased and/or purchased capacity, inventory consumption and installation and interconnection charges. Selling and marketing expenses are those, which specifically relate to selling and marketing of the 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.

2.20 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.

2.21 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
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Notes to the financial statements for the year ended March 31, 2013
 (All amounts in Saudi Riyals unless otherwise stated)

3 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk.

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term deposits, accounts receivable, short-term and long-term borrowings, liabilities against capital leases, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Company's management believes that the currency risk related to its financial assets and liabilities are insignificant.

3.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accordingly, the Company is not subject to any significant credit risk.

The table below shows the maximum exposure to credit risk for the components of the balance sheet.

	2013	2012
Bank balances	115,207,970	16,979,732
Trade receivables, net	21,931,276	21,660,511
Other current assets	4,167,425	9,824,092
	141,306,671	48,464,335

3.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Company is dependent on its ability to generate sufficient trade cash flows and renegotiate terms of payments with creditors to meet operational cash requirements. In the event that the Company is unable to arrange alternate sources of financing, the Company also has commitment from its founding shareholders to fund any cash deficit it might face in the financial year ending March 31, 2014.

The table below summarises the maturities of the Company's discounted financial liabilities at March 31, based on contractual payment dates. The amounts do not include unaccrued interest.

March 31, 2013	Less than 12 months	More than 12 months	Without fixed maturity	Total
Trade payables and accruals	427,238,040	57,952,401	5,894,020	491,084,461
Tawarooq islamic financing	31,068,122	194,175,782	-	225,243,904
	458,306,162	252,128,183	5,894,020	716,328,365

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended March 31, 2013
 (All amounts in Saudi Riyals unless otherwise stated)

March 31, 2012	Less than 12 months	More than 12 months	Without fixed maturity	Total
Trade payables and accruals	452,584,778	49,868,263	4,755,838	507,208,879
Funding by founding shareholders	119,900,000	-	-	119,900,000
Tawarooq islamic financing	849,551,094	225,243,906	-	1,074,795,000
	1,422,035,872	275,112,169	4,755,838	1,701,903,879

3.4 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

4 Accounts receivable

	2013	2012
Trade receivable	28,117,680	26,636,246
Less: provision for doubtful debts	(6,186,404)	(4,975,735)
	21,931,276	21,660,511

Movement in provision for doubtful debts is as follows:

	2013	2012
April 1	(4,975,735)	(1,500,000)
Additions	(1,210,669)	(3,475,735)
March 31	(6,186,404)	(4,975,735)

5 Prepayments and other receivables

	2013	2012
Prepaid rent – WIMAX/Point of presence sites	18,656,211	20,778,869
Prepaid expenses	17,682,718	20,007,820
Advances to suppliers and employees	4,167,425	9,824,092
Other	730,576	-
Less: Provision for other receivables	-	(1,417,342)
	41,236,930	49,193,439

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ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended March 31, 2013
(All amounts in Saudi Riyals unless otherwise stated)

6 Property and equipment

	Land and buildings	Network infrastructure	Network capacity	Facilities, support & IT	Work in progress	2013 Total	2012 Total
Cost:							
March 31 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 year	60,394	15,205,572	-	1,586,686	21,319,299	38,171,951	67,944,521
Transfers during the year	-	35,288,707	8,500,000	-	(43,788,707)	-	-
Disposals	-	-	-	(63,500)	-	(63,500)	-
Adjustment	-	(8,591,250)	-	-	(3,880,297)	(12,471,547)	(37,632,223)
March 31 balance	77,606,922	1,280,173,973	155,260,000	27,776,649	89,627,450	1,630,444,994	1,604,808,090
Accumulated depreciation:							
March 31 balance	6,423,820	388,060,366	20,445,410	8,505,546	-	423,435,142	238,095,259
Charge for the year	1,594,122	143,125,885	11,470,077	5,497,867	-	161,687,951	201,889,550
Disposals	-	-	-	(32,018)	-	(32,018)	-
Adjustment	-	(4,228,843)	-	-	-	(4,228,843)	(16,549,667)
March 31 balance	8,017,942	526,957,408	31,915,487	13,971,395	-	580,862,232	423,435,142
Net book values 31 March	69,588,980	753,216,565	123,344,513	13,805,254	89,627,450	1,049,582,762	1,181,372,948

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.

The company has changed its estimate for property and equipment useful lives in the current quarter and takes into consideration the salvage value as per independent consultant study of the company's property and equipment impairment test (see note 15).

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7 Intangible assets, net

As of March 31:	2013	2012
Cost:		
License fees paid to Communication & Information Technology Commission ("CITC")	527,904,000	527,904,000
Other	24,584,711	24,555,961
	<u>552,488,711</u>	<u>552,459,961</u>
Amortization:		
March 31 balance	(75,079,904)	(50,157,714)
Charge for the year	(24,920,940)	(24,922,190)
March 31 balance	<u>(100,000,844)</u>	<u>(75,079,904)</u>
	<u>452,487,867</u>	<u>477,380,057</u>

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

8 Accrued Expenses, Trade and other payables

	2013	2012
Trade Payable	346,342,984	343,076,740
Capital expenditure payable	72,080,216	98,043,543
Accrued expenses	7,802,447	10,757,150
Tawarooq financing costs	1,012,393	707,345
	<u>427,238,040</u>	<u>452,584,778</u>

9 Deferred revenue

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

10 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 March 31 was as follows:

	2013	2012
Current portion	31,068,122	849,551,094
Non-current portion	194,175,782	225,243,906
	<u>225,243,904</u>	<u>1,074,795,000</u>

The non-current portion amounting to Saudi Riyals 194 million will be settled in twenty five quarterly installments starting from April 2014 and ending on April 2020.

11 Revenue from services

Revenue recognized is in respect of broadband and voice services provided to subscribers during the year and interconnection revenue billed to other telecommunication operators for the year ended March 31, 2013.

	2013	2012
Broadband services, net	196,128,070	222,362,798
Voice services and interconnection revenue	70,355,938	24,538,256
	<u>266,484,008</u>	<u>246,901,054</u>

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12 Cost of services

	2013	2012
Capacity lease charges	32,529,501	45,185,617
Network maintenance and support	37,233,558	45,143,008
Site rental and utilities	45,625,005	43,966,021
Inventory consumptions / Installation	18,521,628	27,543,449
Voice interconnection charges	62,430,247	22,333,029
Employees' cost	13,877,684	16,302,778
Government fees	8,023,352	8,837,728
Other	949,879	1,364,521
	<u>219,190,854</u>	<u>210,676,151</u>

13 Employee Costs

	2013	2012
Salaries and benefits	53,436,434	41,678,419
Provision for employees' terminal benefits	2,354,556	1,167,607
	<u>55,790,990</u>	<u>42,846,026</u>

14 Selling and Marketing Expenses

	2013	2012
Dealers' commission	8,961,217	9,885,940
Customer care	8,677,599	8,105,019
Point of display and flagship rental	4,731,898	5,253,131
Point of display sales staff	6,565,427	4,822,368
Provision of trade receivables	1,210,669	3,475,735
Marketing and advertisement	5,527,361	2,114,969
Public relation, promotion and communication	582,253	334,234
Others	823,743	1,076,715
	<u>37,080,167</u>	<u>35,068,111</u>

15 Depreciation and Amortization

	2013	2012
Depreciation of property and equipment	157,459,108	185,339,883
Amortization of intangible assets	24,920,940	24,922,190
	<u>182,380,048</u>	<u>210,262,073</u>

During last quarter, the Company revised the depreciation rates for the below property and equipment based on a review by an independent consultant to be consistent with other operators best practice in Saudi Arabia.

Category	Old useful live (Years)	New useful live (Years)
Building	20	40
Civil works	7-10	10-15
Network infrastructure	4 -7	4-15
Network capacity	4 -7	7-15
Facilities and support	5-10	5

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Had the Company charged depreciation at the old useful lives, depreciation expense and net loss for the year ended March 31, 2013 would have been higher by SR 42.87 million (see note 6).

16 General and administration expenses

	2013	2012
Government fees	21,940,164	18,854,765
Professional & consultancy charges	1,793,301	17,998,296
Medical, visa and iqama charges	2,760,776	3,105,702
Founding shareholders fee (note 22)	2,211,118	2,013,910
Insurance charges	1,019,268	1,250,513
Business travel	1,433,983	1,035,902
Manpower services	992,977	982,944
Subscription & memberships	261,869	383,872
Board of members' remunerations (note 22)	300,000	300,000
Utilities charges	4,225,487	276,540
Withholding tax (vendors)	480,404	233,015
Provision for other receivables (note 5)	-	1,417,342
Others	2,789,064	2,639,588
	<u>40,208,411</u>	<u>50,492,389</u>

17 Financial charges

	2013	2012
Tawarroq Financing Costs	7,078,697	26,637,304
Founding shareholders' fee (Note 22)	702,623	2,673,026
Letter of guarantee charges	12,735	1,663,217
Others	1,001,667	982,420
	<u>8,795,722</u>	<u>31,955,967</u>

18 Income (loss) per share

Income (loss) per share for the years ended March 31, 2013 and 2012 is calculated by dividing the Income (loss) for the year by the ordinary issued and outstanding shares at the year end.

The Income (loss) per share for the comparative year 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 March 31, 2012 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.

19 Zakat and income tax matters

19.1 Zakat and income tax status

The Company has filed its zakat and income tax with the Department of Zakat and Income Tax ("DZIT") for the years up to 2012.

The Company has not received any final assessments as of the date of the financial statements.

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19.2 Zakat calculation

The significant components of the zakat base of the Company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment and certain other items.

	2013	2012
Shareholders' equity	1,575,000,000	400,000,000
Accumulated losses:	(400,636,514)	(354,170,953)
Long-term accounts payables	49,868,263	49,868,263
Tawrooq Islamic financing	225,243,904	1,074,795,000
Provisions	17,355,676	8,365,077
Property plants and equipments	(1,170,707,362)	(1,355,665,164)
Adjusted loss for the year	<u>(310,077,189)</u>	<u>(102,296,283)</u>
Zakat base	<u>(13,953,222)</u>	<u>(279,104,060)</u>
Attributable to Saudi and GCC shareholders (96%)	<u>(13,395,093)</u>	<u>(267,939,898)</u>

Zakat is payable at 2.5 percent of higher of the approximate zakat base and adjusted net income. However, no zakat is payable due to negative zakat base, as shown above (see also note 19.4).

19.3 Income tax calculation

	2013	2012
Share of foreign shareholder in the adjusted net income at 4%	(12,403,088)	(4,091,851)
Carry forward losses adjusted up to 25% of adjusted net income	-	-
Adjusted net income for tax purposes	<u>(12,403,088)</u>	<u>(4,091,851)</u>
Estimated tax liability	<u>-</u>	<u>-</u>

Estimated tax liability is calculated at 20% of adjusted net income attributable to the foreign shareholder. The Company was not subject to income tax since it incurred losses in 2013 and 2012.

19.4 Adjusted net income / (loss)

The following are the significant components to calculate the adjusted net loss.

	2013	2012
Calculation of adjusted net income:		
Net income for the year	(274,124,614)	(46,465,561)
Difference in depreciation rates used under accounting and zakat regulations	(39,824,005)	(65,105,261)
Provisions	3,393,026	10,167,445
Withholding tax	480,404	230,189
Entertainments	-	53,751
Others	-	(1,176,846)
Adjusted net loss	<u>(310,077,189)</u>	<u>(102,296,283)</u>

The calculation for the year ended March 31, 2012 has been reclassified from the original submission to DZIT to comply with the current year presentation.

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19.5 Provision for zakat and income tax

Provision in respect of zakat and income tax are charged to the statement of changes in shareholders' equity, if any. However, the Company is not liable to zakat and income tax in view of the fact that the zakat base and the adjusted net loss for the last two years were in negative loss.

20 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 66 million (March 31, 2012: Saudi Riyals 90 million).

b) Letter of credit and guarantees

The Company's bankers have issued letters of credit and guarantees amounting to Saudi Riyals 51 million (March 31, 2012: 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.

21 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 March 31, 2013.

22 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 1,066,278 (March 31, 2012: Saudi Riyals 2,237,036). The company has also incurred voice interconnection charges amounting Saudi Riyals 2,969,683 (March 31, 2012: Saudi Riyals 1,659,634). Due to BATELCO as of March 31, 2013 Saudi Riyals 8,127,010 (March 31, 2012: Saudi Riyals 7,770).

The Company accrued an amount of Saudi Riyals 2,211,118 (March 31, 2012: Saudi Riyals 2,013,910) as management fees and Saudi Riyals 702,623 (March 31, 2012: Saudi Riyals 2,673,026) as financial charges to its founding shareholders during the year ended March 31, 2013. 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 774,458 as services revenue made during the year to a founding shareholder (March 31, 2012: Nil).

The remunerations fees for the board of directors at March 31, 2013 amount SR 300,000 (March 31, 2012: SR 300,000).

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23 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 statement of income are disclosed net of related expenses for the year ended March 31, 2012.

24 Operating Lease

The Company has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended March 31, 2013 amounted to Saudi Riyals 50.4 million (2012 - Saudi Riyals 49.2 million).

Future rental commitments at March 31, 2013 under these operating leases are as follows:

Years ending March 31:	Saudi Riyal
2014	43,987,699
2015	42,920,420
2016	42,497,514
2017	41,705,563
2018	32,745,358
After that	<u>13,526,110</u>
	<u>217,382,664</u>

25 Reclassifications

Certain reclassifications have been made in the comparative figures to conform with the presentation for the current year.

