ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Financial Statements
For the year ended
31 March 2017
Together with the
Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of Etihad Atheeb Telecommunication Company (the Company), which comprise the balance sheet as at 31 March 2017, and the statements of income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2b in the financial statements, which indicates that the Company incurred a net loss of SAR 138.6 million during the year ended 31 March 2017 and, as of that date, the Company's current liabilities exceeded its total assets by SAR 439 million. As stated in Note 2b, these events or conditions, along with other matters as set forth in Note 2b, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

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Description of the Key Audit Matter	How our audit addressed the Key Audit Matter
Going concern Going concern remains a key area of focus during the FY2016-17 audit of the Company. The Company faces challenges as a result of operating in a highly competitive market, with increased competition and pricing pressures from customers having had a direct effect on revenue, profit margins and cash flows. Refer to the Balance Sheet (page no 1), the Statement of Cash Flows (page no 3) and the Basis of Preparation (page no 6), as of 31 March 2017, the Company's current liabilities exceeded its current assets by SAR 439 million (2016: SAR 385 million). Moreover, the Company has accumulated losses amounting to SAR 1,234 million as of 31 March 2017 which approximate 78% of the Company's share capital. In April 2017, the management has undertaken a capital reduction as a measure to comply with the requirements of the new Companies Regulations in order to avoid a breach of the accumulated losses threshold. The cash flow forecasts and future business plans depend upon maintaining good relations with the key suppliers and continued financial and technical support from them. The cash flow forecasts assume that cash payments to certain key suppliers are deferred. Judgment is required by the directors in assessing whether any material uncertainties exist which cast significant doubt as to the Company's ability to meet its liabilities and whether the mitigating actions identified by management are achievable. Judgment is also required in assessing whether the disclosures provided in the financial statements adequately describe the risks and underlying assumptions.	• We evaluated the directors' assessment of the Company's ability to continue as a going concern. In particular, we reviewed and challenged the cash flow forecasts and future business plans prepared by the management and approved by the Board of Directors, including key assumptions to assess the risk of the inability to meet liabilities as they fall due. • We tested the financial forecasts to ensure the integrity of the model, that they reflected an accurate starting position and that they were consistent with the budget. We challenged the assumptions used in building the revenue and costs forecast by considering historical accuracy of forecasts, latest information available in FY2016-17 and latest market trends. As part of this, we discussed at length the budgets with the CEO and CFO. This also included the assessment of working capital assumptions in light of the FY2016-17 actuals and periods 1 of FY2017-18 performance. • We also performed sensitivity analysis by including reasonably plausible downside scenarios in the model. • We made inquiries of management and obtained support to understand any mitigating actions identified by the directors in the event that a downside scenario occurs and to evaluate whether these were achievable. • We have made enquiries from the Audit Committee regarding the Company's relations with its key suppliers and their continued financial support to the Company. • We have checked that the Company delays payments to these suppliers and has large payable balances against them. The suppliers have not raised demands for payments in the past and often work with the Company to settle liabilities. • We have considered the past history of significant new arrangements entered into in the year with key suppliers (such as Fiber to the Home (FTTH) and Long Term Evolution Indefeasible Right of Use (LTE IRU), SAWA cards agreement and marketing support agreements) and we have reviewed correspondence with key suppliers. • We have reviewed the Company's Tower Sale agreement to sell the passive structure of its 500 towers to STC against a total consideration of SAR 230 million and the Site Sharing Agreement with STC whereby the Company leased back 1/3rd of the available space on those Towers for a period of 07 years.

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Description of the Key Audit Matter	How our audit addressed the Key Audit Matter
	• We have also reviewed management's report on capital reduction prepared by the management and have issued a separate report thereon.
Revenue recognition The accuracy of revenue amounts recorded is an inherent risk in the telecom industry. This is because telecom billing systems are complex and process large volumes of data with a combination of different product and combination of products sold and price changes in the year, through a number of different systems. The Company's revenue amounts to SAR 421 million. We considered the following three areas to be critical in relation to revenue: • Determining the revenue recognition point for products and services; • Accounting for contracts where the time period of the contract spans two accounting periods; and • Determining the accuracy of the systems used in calculating revenue. See note 3(l) to the financial statements for revenue recognition policy.	Our audit approach included controls testing and substantive procedures covering, in particular: • assessing the appropriateness of the revenue recognition policy that is applied to different products and combination of products to assess whether it is in accordance with the applicable accounting framework; • testing the relevant IT environment and application controls to place reliance on the design and the operating effectiveness of controls over the capture and recording of revenue transactions, authorization of rate changes and interface to the billing systems; • testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger; • performing tests on the accuracy of customer invoice generation on a sample basis and testing the credits and discounts applied to customer invoices on a sample basis; • calculation of amounts billed to individual and corporate customers and testing cash receipts for a sample of customers back to the respective customer invoice; • testing a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment; and • reviewing the disclosures included in the financial statements in respect of revenue recognition.
Significant one-off transaction We identified a significant one-off transactions which occurred during the year. As disclosed in note 6.1 to the financial statements, the Company has received; i) various items of network equipment; and ii) a waiver of liability, under an agreement signed during the year with one of its main subcontractors. Accounting for these transactions and related disclosures required the exercise of significant judgment. The recognition of network equipment received free of cost was determined as an area of focus as there was a significant risk in determining the fair values at which this equipment was	• We reviewed the final settlement agreement between the Company and the sub-contractor and obtained an understanding of the significant management judgments and estimates in establishing the transfer of risks and rewards to the Company and the determination of the fair values of the equipment received. • We reviewed the process used by the management for the hiring of the independent valuer for determining the fair values of the equipment. In particular, while reviewing the valuer's report, we focused on the valuer's experience and independence, as well as the valuer's expertise in the provision of said

Description of the Key Audit Matter	How our audit addressed the Key Audit Matter
recognized under inventory. It required the use of significant management judgment and estimates to determine the fair values of the related equipment which depends on the factors such as; • Compatibility of the equipment with the current and future changes in technology; • The use of an independent valuer by the management to determine the fair values; • Physical condition of the equipment; and • Net realizable values of the equipment. In addition, significant judgment was required in determining the waiver of liability sanctioned by the subcontractor.	services. We also held telephonic discussions with the valuer and obtained an understanding of the methodology adopted and assumptions made by the valuer for determining the fair values of the equipment. • In order to obtain assurance over the existence of the equipment, we have performed physical verification of the equipment. • We had discussions with the senior management in order to assess the management's intention regarding the use of these items in the Company's business to determine whether any indicators of impairment existed. • We reviewed the disclosures included in the financial statements in respect of the receipt of free of cost equipment and the waiver of liability.
Impairment of non-financial assets We identified non-financial asset impairment on network infrastructure as a key audit matter due to significant judgments made by management in determining the recoverable amounts of the corresponding cash-generating units. The impairment assessment involves management's judgment in certain areas including the discount rate and the underlying cash flows projection based on the future use of the Company's network by the customers and continued financial and technical support from the key suppliers and continuity of long-term agreements with them. Any changes in management's assumptions may result in significant financial impact to the Company. The management concluded that the recoverable amount of each separate cash-generating unit was higher than their carrying value and no impairment provision was required for the current year. The recoverable amounts of each cash-generating unit were determined by the value in use method.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included: • Identifying the appropriate cash generating unit. • Analyzing and challenging the reasonableness of significant judgments and estimates built into the underlying cash flows used in management's impairment tests based on our knowledge of the business and industry. • Analyzing the specific discount rates used by management in the impairment tests. • Evaluating management's accuracy in making forecasts by comparing the current year actual results with the forecast for 2016-17. • Evaluating the sensitivity analysis performed by management. • Reconciling the forecast to budget approved by the Board of Directors. • Assessing and validating the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information included in the Company's Annual Report

Management is responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the financial statements and our auditor's report thereon. The Company's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and Regulations for Companies and Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Riyadh on: 8 June 2017
Corresponding to: 13 Ramadan 1438H

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
BALANCE SHEET
As at 31 March 2017
(Saudi Arabian Riyals)

	Note	2017	2016
ASSETS			
Current assets			
Bank balances		**102,693,540**	137,727,270
Trade receivables	4	**105,779,119**	65,244,157
Inventories		**8,329,081**	5,406,579
Due from related parties	22(b)	**17,793,920**	13,148,943
Prepayments and other receivables	5	**109,524,838**	116,554,011
Total current assets		**344,120,498**	338,080,960
Non-current assets			
Property and equipment	6	**329,317,041**	396,081,056
Intangible assets	7	**836,625,048**	884,896,362
Total non-current assets		**1,165,942,089**	1,280,977,418
TOTAL ASSETS		**1,510,062,587**	1,619,058,378
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Tawaroq Islamic Financing – current portion	8	**31,068,118**	31,068,118
Accounts payable	9	**519,942,611**	472,657,539
Due to related parties	22(c)	**28,755,985**	26,900,787
Deferred income		**52,411,560**	37,622,051
Accrued expenses and other current liabilities	10	**148,341,988**	152,223,516
Provision for Zakat	18(c)	**2,698,958**	2,698,958
Total current liabilities		**783,219,220**	723,170,969
Non-current liabilities			
Tawaroq Islamic Financing	8	**69,903,310**	100,971,428
Long term accounts payable	9	**306,000,000**	306,000,000
Provision for employees' end of service benefits		**9,860,070**	9,214,189
Total non-current liabilities		**385,763,380**	416,185,617
TOTAL LIABILITIES		**1,168,982,600**	1,139,356,586
SHAREHOLDERS' EQUITY			
Share capital	1	**1,575,000,000**	1,575,000,000
Accumulated losses		**(1,233,920,013)**	(1,095,298,208)
TOTAL SHAREHOLDERS' EQUITY		**341,079,987**	479,701,792
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,510,062,587**	1,619,058,378

The accompanying notes (1) to (23) on pages (5) to (20) form an integral part of these financial statements.

These financial statements and accompanying notes were approved by the Board of Directors on 13 Ramadan 1438H, corresponding to 8 June 2017 and are signed on behalf of the Board of Directors by:

Emad Maali
Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Husam Sadagah
Chairman

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 March 2017
(Saudi Arabian Riyals)

	Note	2017	2016
Revenue from services, net	21	**421,745,872**	343,033,466
Cost of services	12	**(339,341,470)**	(311,656,668)
Gross profit		**82,404,402**	31,376,798
Operating expenses			
Selling and marketing expenses	13	**(76,275,257)**	(59,597,307)
Depreciation and amortization	6,7	**(170,325,058)**	(188,284,021)
General and administrative expenses	14	**(82,518,487)**	(72,969,906)
Total operating expenses		**(329,118,802)**	(320,851,234)
Loss from operations		**(246,714,400)**	(289,474,436)
Other income	15	**114,598,316**	146,122,020
Financial charges	16	**(6,505,721)**	(4,746,743)
Net loss for the year		**(138,621,805)**	(148,099,159)
(Loss) / earnings per share attributable to:	17		
- Loss from operations		**(1.57)**	(1.84)
- Other income for the year		**0.73**	0.93
- Net loss for the year		**(0.88)**	(0.94)

The accompanying notes (1) to (23) on pages (5) to (20) form an integral part of these financial statements.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 March 2017
(Saudi Arabian Riyals)

	Note	2017	2016
Cash flows from operating activities			
Net loss for the year		**(138,621,805)**	(148,099,159)
Adjustments to reconcile net loss for the year to net cash generated from operating activities			
Provision for doubtful debts	4.1	**2,069,279**	3,612,002
Depreciation and amortization	6,7	**170,325,058**	188,284,021
Other income - settlement with a vendor	15	**(74,771,398)**	--
Amortization of deferred gain on sale of property	15	**(4,168,008)**	(21,869,726)
Provision for employees' end of service benefits		**2,325,887**	3,066,497
		(42,840,987)	24,993,635
Changes in working capital			
Trade receivables		**(42,604,241)**	(33,427,443)
Inventories		**(2,922,502)**	(2,170,228)
Due from related parties		**(4,644,977)**	(2,031,198)
Prepayments and other receivables		**7,029,173**	(22,399,060)
Accounts payable		**75,207,211**	28,018,160
Due to related parties		**1,855,198**	1,820,195
Accrued expenses and other liabilities		**(3,881,528)**	(2,347,190)
Deferred income		**18,955,173**	13,339,801
		6,152,520	5,796,672
Employees' end of service benefits paid		**(1,680,006)**	(1,025,501)
Net cash generated from operating activities		**4,472,514**	4,771,171
Cash flows from investing activities			
Acquisition of property and equipment and intangibles	6,7	**(8,478,606)**	(16,688,387)
Proceeds from sale of property		**40,480**	--
Net cash used in investing activities		**(8,438,126)**	(16,688,387)
Cash flows from financing activities			
Repayments of Tawaroq Islamic financing		**(31,068,118)**	(31,068,118)
Net cash used in financing activities		**(31,068,118)**	(31,068,118)
Net decrease in cash and cash equivalents		**(35,033,730)**	(42,985,334)
Cash and cash equivalents at the beginning of the year		**137,727,270**	180,712,604
Cash and cash equivalents at the end of the year		**102,693,540**	137,727,270

The accompanying notes (1) to (23) on pages (5) to (20) 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 31 March 2017
(Saudi Arabian Riyals)

	Note	Share capital	Accumulated losses	Total
Balance at 01 April 2015		1,575,000,000	(944,928,849)	630,071,151
Net loss for the year		--	(148,099,159)	(148,099,159)
Zakat charge for the year	18	--	(2,270,200)	(2,270,200)
Balance at 31 March 2016		1,575,000,000	(1,095,298,208)	479,701,792
Net loss for the year		--	(138,621,805)	(138,621,805)
Zakat charge for the year	18	--	--	--
Balance at 31 March 2017		1,575,000,000	(1,233,920,013)	341,079,987

The accompanying notes (1) to (23) on pages (5) to (20) form an integral part of these financial statements.

1) ORGANIZATION AND ACTIVITIES

General information

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

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034). On 30 Rabi'I 1438H (corresponding to 29 December 2016), the Communications and Information Technology Commission (CITC) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 7.1).

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

The authorized, issued and paid up share capital of the Company is SAR 1,575 million divided into 157.5 million shares of SAR 10 each. The founding shareholders of the Company have subscribed and paid for 71.2 million shares and the remaining 86.3 million shares have been subscribed by the public.

b) Further to the announcement published on Tadawul's website on 5 June 2014 related to the Indefeasible Rights of Use ("IRU") agreement with Saudi Telecom Company (STC) which was signed on 4 June 2014, STC granted the Company an IRU for 15 years for thirty thousand ports on its fiber optics network. The IRU agreement allows both parties to agree upon increasing the ports to reach hundred thousand ports (see note 7.2). However, on 30 January 2017, the Company has signed an amendment to the IRU agreement whereby the payment for the ports on STC's fiber optic network has been deferred by an additional one year and accordingly the payment of liability will now commence from September 2017.

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

c) The Company announced on 12 June 2014 that it has executed various marketing agreements with STC amounting to SAR 309 million through which the Company will market business sector services of STC to some of its existing and / or new customers specially to the small and medium sized enterprises for a period of 30 months starting from the date of the agreement. However, on 30 January 2017, the Company has signed an addendum to the agreement whereby STC has extended the marketing agreements with the Company for another term of 24 months and has increased the value the agreements by SAR 96 million.

1) ORGANIZATION AND ACTIVITIES (CONTINUED)

d) On 30 January 2017, the Company has entered into an agreement with STC for the sale of the passive structure of 500 telecommunication towers against total consideration of SAR 230 million. The legal formalities in respect of the transfer, as well as the transfer of the control and possession of the towers, has not yet been finalized. Accordingly, the disposal is not reflected in these financial statements. Simultaneously, the Company has also signed a Site Sharing agreement with STC for leasing back of 1/3rd of the usable space on each tower sold to STC for a period of 7 years.

2) BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

As required by Saudi Organization for Certified Public Accountants (SOCPA), all listed companies are required to transition to International Financial Reporting Standards ("IFRS") as endorsed by SOCPA effective for the periods beginning on or after 1 January 2017 for preparation of their financial statements. In preparing the first set of IFRS financial statements, the Company will analyze the impact of the first time adoption of IFRS on current and prior year financial statements and will accordingly incorporate the necessary adjustments in its first set of IFRS financial statements.

These financial statements were approved by the Board of Directors for issuance on 13 Ramadan 1438H, corresponding to 8 June 2017.

b) Basis of measurement

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting and on a going concern concept.

As at 31 March 2017, the Company's current liabilities exceeds its current assets by SAR 439 million (2016: SAR 385 million). Moreover, the Company has accumulated losses amounting to SAR 1,234 million as of 31 March 2017, which approximate 78.34% of the Company's share capital.

The new Saudi Arabian Companies' Regulation, which became effective on 2 May 2016, has reduced the accumulated loss threshold for Joint Stock Companies from 75% down to 50% of share capital, as per Article 150. The new Companies' Regulation has provided, in Article 224, a grace period of one year for affected Joint Stock Companies to correct their situation in accordance with the new regulation.

In order to comply with Article 150 and 224 of the new Companies' Regulation, the Board of Directors of the Company recommended to reduce the Company's share capital by SR 945 million in their meeting held on 12 February 2017. Upon completion of the legal formalities by the Company's management associated with the reduction of share capital, the Company's shareholders, in their extra ordinary general meeting held on 10 April 2017, have resolved to reduce the Company's share capital as proposed by the Board of Directors. Accordingly, subsequent to 31 March 2017, the Company's share capital has been reduced to SR 630 million and hence the accumulated losses have been reduced to below 50% of the share capital.

In addition, the Company's management believes that it would improve the Company's business on the basis of the agreements described in notes 1(b) and 1(c) and that it will be able to secure the necessary funding to meet its obligations as and when they become due. The Company has certain agreements with its key suppliers and accordingly manages its repayment terms. Accordingly, the Company's management believes that the going concern is the appropriate basis of preparation for the accompanying financial statements.

2) BASIS OF PREPARATION (CONTINUED)

c) *Functional and presentation currency*

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

d) *Use of estimates and judgments*

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

3) SIGNIFICANT ACCOUNTING POLICIES

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

a) *Cash and cash equivalents*

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

b) *Trade receivables*

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

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

c) *Inventories*

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

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

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Property and equipment*

Property and equipment, except capital work in progress, are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work in progress is carried at cost and includes telecom equipment of capital nature which will form part of property and equipment upon consumption.

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

	Life (Years)
Leasehold improvements	Lower of lease term or 10 years
Network infrastructure	4-15
Facilities, support and IT Equipment	5

Gains or losses arising from the retirement or disposal of property and equipment are recognized in the Statement of Income on the date of retirement or disposal.

e) *Intangible assets*

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

License fees are initially capitalized and subsequently amortized on a straight-line basis over 40 years, which is the regulatory life of the licenses, starting on 1 April 2009 and ending on 31 March 2049.

Network capacity which includes Indefeasible Rights of Use "IRU" is amortized on a straight-line basis over the term of the agreement except for Network capacity under development which is carried at cost. Other intangibles are amortized over the estimated useful lives.

The amortization is charged to the Statement of Income over the useful life as follows:

	Life (Years)
License	40
Network capacity	7-15
Pre-operating costs	5-7
Software	5-10

f) *Impairment of non-financial assets*

Non-financial 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-financial 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 Statement of Income.

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) *Accounts payable and accruals*

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

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

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

i) *Provision for zakat and tax*

Zakat and tax are provided for in the financial statements in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Zakat and tax are charged to the Statement of changes in shareholders' equity.

j) *Operating leases*

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

k) *Borrowings*

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs directly attributable to acquisitions or constructions of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the Statement of Income in the period in which they are incurred.

l) *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. Fees for installation and activation are recognized as revenue upon activation.

Service revenue received from the customer is recognized in the period in which the service is delivered. Airtime revenue is recognized on a usage basis. Deferred income related to unused airtime is recognized when utilized by the customer or on a time proportion basis over the validity period. Upon termination of the customer contract, all deferred income for unused airtime is recognized in the 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 are delivered to subscribers and customers. Charges billed in advance are deferred and recognized over the contracted period of service.

3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Interconnection cost (only applicable for voice service)

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

n) Government charges

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

o) Cost and expenses

- cost of services comprise of expenses incurred on operations and maintenance of the network, including leased and/or purchased capacity, site rentals, inventory consumption and installation and interconnection charges.
- selling and marketing expenses include commissions, advertising and provision for doubtful receivables.
- all other expenses, except finance charges, are classified as general and administrative expenses.

p) Foreign currency translation

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

4) TRADE RECEIVABLES

	Note	2017	2016
Trade receivables		**122,209,515**	79,605,274
Provision against doubtful receivables	4.1	**(16,430,396)**	(14,361,117)
		105,779,119	65,244,157

4.1) Movement in provision against doubtful receivables is as follows:

	2017	2016
Balance as at 1 April	**14,361,117**	10,749,115
Charge for the year (Note 13)	**2,069,279**	3,612,002
Balance as at 31 March	**16,430,396**	14,361,117

5) PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017	2016
Prepayments		**1,890,735**	2,285,501
Advances to			
- Suppliers		**2,983,121**	7,311,812
- Employees		**645,394**	1,076,102
		3,628,515	8,387,914
Provision for advances		--	(916,408)
		3,628,515	7,471,506
Other receivables	5.1	**104,005,588**	106,797,004
		109,524,838	116,554,011

5.1) These include receivable from STC in respect of sale of Company's property and rendering of marketing support services amounting to SAR 50 million (2016: SAR 50 million) and SAR 45.3 million (2016: SAR 55.9 million) respectively.

6) PROPERTY AND EQUIPMENT

	2017					2016
	Leasehold improvements	**Network infrastructure**	**Facilities, support and IT equipment**	**Capital work in progress**	**Total**	Total
Cost						
Balance at 1 April	**3,670,619**	**1,350,699,887**	**31,747,208**	**470,500**	**1,386,588,214**	1,369,899,827
Additions during the year (Note 6.1)	--	41,996,175	939,468	11,907,058	54,842,701	16,688,387
Disposals during the year	--	--	(65,050)	--	(65,050)	--
Transfers during the year	--	470,500	--	(470,500)	--	--
Balance at 31 March	3,670,619	1,393,166,562	32,621,626	11,907,058	1,441,365,865	1,386,588,214
Accumulated depreciation						
Balance at 1 April	**3,293,304**	**961,410,978**	**25,802,876**	--	**990,507,158**	845,278,563
Charge for the year	377,315	119,994,300	1,196,965	--	121,568,580	145,228,595
Eliminated on disposals	--	--	(26,914)	--	(26,914)	--
Balance at 31 March	3,670,619	1,081,405,278	26,972,927	--	1,112,048,824	990,507,158
Net book value						
At 31 March 2017	--	**311,761,284**	**5,648,699**	**11,907,058**	**329,317,041**	
At 31 March 2016	*377,315*	*389,288,909*	*5,944,332*	*470,500*		*396,081,056*

6.1) During the year ended 31 March 2017, the Company has finalized the settlement agreement with one of its vendors, resulting in the transfer of network infrastructure equipment and stores and spares of capital nature to the Company, having fair values of SAR 34.94 million and SAR 11.91 million, which have been capitalized under network infrastructure and capital work in progress respectively, while the corresponding credit has been recognized under other income for the year.

7) INTANGIBLE ASSETS

	2017						2016
	License	**Network capacity**	**Pre-operating costs**	**Network capacity under development**	**Software**	**Total**	**Total**
Cost							
Balance at 1 April	**527,904,000**	**295,260,000**	**24,599,711**	**272,000,000**	**51,679,643**	**1,171,443,354**	967,443,354
Additions during the year	--	--	--	--	485,164	485,164	204,000,000
Capitalization during the year	--	272,000,000	--	(272,000,000)	--	--	--
Balance at 31 March	**527,904,000**	**567,260,000**	**24,599,711**	--	**52,164,807**	**1,171,928,518**	1,171,443,354
Accumulated amortization							
Balance at 1 April	**147,813,120**	**73,253,292**	**24,599,711**	--	**40,880,869**	**286,546,992**	243,491,566
Charge for the year	17,850,776	28,181,744	--	--	2,723,958	48,756,478	43,055,426
Balance at 31 March	**165,663,896**	**101,435,036**	**24,599,711**	--	**43,604,827**	**335,303,470**	286,546,992
Net book value							
At 31 March 2017	**362,240,104**	**465,824,964**	--	--	**8,559,980**	**836,625,048**	
At 31 March 2016	*380,090,880*	*222,006,708*	--	*272,000,000*	*10,798,774*		*884,896,362*

7.1) As stated in Note 1, the CITC has extended the life of the Company's license by 15 years. Accordingly, from 1 December 2016, the remaining carrying value of the Company's license is now being amortized over the revised useful life of 32 years (ending 31 March 2049).

7.2) Under the IRU agreement with STC (see note 1b), the Company has acquired ports amounting to SAR 408 million. The related payment is due in twelve equal quarterly installments of SAR 34 million each, commencing from second quarter of 2017-18 hence; the related liability has been accordingly classified under long-term and short-term accounts payable.

8) TAWAROQ ISLAMIC FINANCING

This comprises Islamic mode of financing obtained from a local bank (the "Bank") utilized to meet capital and operating expenditure of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission of 1.75% per annum. The Company is to repay the outstanding balance in 13 equal quarterly installments ending April 2020.

The financing balance as of 31 March was as follows:

	2017	2016
Current portion	**31,068,118**	31,068,118
Non-current potion	**69,903,310**	100,971,428
	100,971,428	132,039,546

9) ACCOUNTS PAYABLE

	2017	2016
Trade payables	**401,913,428**	322,875,471
Capital expenditure payable	**424,029,183**	455,782,068
Less: Non-current portion	**(306,000,000)**	(306,000,000)
	118,029,183	149,782,068
	519,942,611	472,657,539

10) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2017	2016
Advance against marketing support	--	20,000,000
Government fees	**76,993,472**	51,234,640
Voice interconnection	**21,003,627**	30,592,850
Employees' related expenses	**14,193,353**	13,163,920
Capacity lease	**3,524,508**	11,731,083
Electricity	**4,207,177**	7,051,342
Other	**28,419,851**	18,449,681
	148,341,988	152,223,516

11) STATUTORY RESERVE

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital.

This reserve is currently not available for distribution to the shareholders of the Company.

12) COST OF SERVICES

	2017	2016
Voice interconnection charges	**136,191,751**	170,163,730
Site rentals and utilities	**43,048,786**	43,747,582
Capacity lease charges	**89,051,649**	56,343,144
Network maintenance and support	**15,289,204**	16,711,748
Employees' costs	**6,417,295**	6,276,627
Inventory consumption and installation	**37,533,306**	9,023,575
Government fees – frequency charges	**8,169,330**	5,623,356
Others	**3,640,149**	3,766,906
	339,341,470	311,656,668

13) SELLING AND MARKETING EXPENSES

	Note	2017	2016
Employees' costs		**64,725,118**	48,001,952
Customer care – call center		**1,371,142**	1,212,948
Dealers' commission		**4,536,589**	4,164,501
Provision for doubtful debts	4.1	**2,069,279**	3,612,002
Point of display and flagship rentals		**1,637,715**	1,128,024
Others		**1,935,414**	1,477,880
		76,275,257	59,597,307

14) GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
Employees' costs	**29,500,978**	35,793,036
Government fees	**26,243,832**	14,686,871
Professional and consultancy charges	**8,292,026**	7,738,803
Medical, visa and iqama charges	**3,236,842**	3,613,903
Office rent	**3,749,220**	3,174,743
Utilities	**4,789,024**	1,057,842
Computer accessories and software	**22,717**	227,606
Other	**6,683,848**	6,677,102
	82,518,487	72,969,906

15) OTHER INCOME

	Note	2017	2016
Settlement with a vendor:			
Compensation in the form of network equipment	6.1	**46,849,259**	--
Liability written back		**27,922,139**	--
		74,771,398	--
Marketing support income	15.1	**32,000,000**	124,045,500
Amortization of deferred gain on sale of property	15.2	**4,168,008**	21,869,726
Others		**3,658,910**	206,794
		114,598,316	146,122,020

15.1) This represents marketing support income in respect of the agreement specified in note 1(c).

15.2) This represents amortization of deferred gain on the sale of the Company's building in 2014. The deferred gain was shown under deferred income in the balance sheet.

16) FINANCIAL CHARGES

	Note	2017	2016
Tawaroq financing costs		**4,679,376**	3,935,264
Guarantee fee on Tawaroq financing	**16.1**	**407,310**	461,682
Other		**1,419,035**	349,797
		6,505,721	4,746,743

16.1) This represents fee payable to shareholder in respect of the guarantees issued in favour of the bank in respect of the Tawaroq financing obtained by the Company.

17) (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share for the year ended 31 March 2017 and 2016 is calculated by dividing the (loss) / earnings for the year by the weighted average number of shares outstanding during the year.

18) ZAKAT AND TAX

a) Zakat and tax status

The Company has filed its zakat and tax return with the General Authority of Zakat and Tax ("GAZT") for the period/ years up to 31 March 2016.

In July 2015, the GAZT raised zakat and withholding tax (WHT) assessment for the years 2010 to 2012 amounting to SAR 17.43 million and SAR 0.83 million respectively. The Company filed an appeal with the GAZT against the assessments in August 2015.

In response to appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued ruling in October 2016 based on which the Company's zakat liability was reduced to SR 6.98 million while the WHT liability remained the same at SAR 0.83 million. The Company was also liable to pay fine of SAR 0.6 million as per the PAC ruling, on making delay in the payment of WHT.

In December 2016, the Company filed an appeal to the Higher Appeal Committee (HAC) against the PAC ruling in relation to zakat and imposition of delay fine on WHT. However, the Company has settled the WHT liability of SAR 0.83 million with the GAZT. Further, the management and the tax advisors are of the view that the appeal will be settled in favor of the Company.

The zakat and tax returns filed by the Company for the years 2013 to 2016 are still under review by the GAZT.

18) ZAKAT AND TAX (Continued)

b) Computation of Zakat and tax

The Zakat components are as follows:

		2017	2016
Adjusted loss			
Net loss for the year		**(138,621,805)**	(148,099,159)
Adjustments: Provisions and others		**622,520**	(26,743,997)
Adjusted loss for the year		**(137,999,285)**	(174,843,156)
Saudi shareholders' share of adjusted loss @ 96%	(A)	**(132,479,314)**	(167,849,430)
Additions			
Share capital		**1,575,000,000**	1,575,000,000
Tawaroq Islamic financing		**100,971,428**	132,039,549
Long term payables		**306,000,000**	433,080,592
Provisions		**35,181,022**	30,217,830
		2,017,152,450	2,170,337,971
Deductions			
Accumulated losses at beginning of year		**(1,095,298,208)**	(944,928,849)
Net book value of property and equipment at end of year		**(902,704,873)**	(955,974,282)
		19,149,369	269,434,840
Share of Saudi shareholders @ 96%		**18,383,394**	258,657,446
Saudi shareholders' share of adjusted loss		**(132,479,314)**	(167,849,430)
Zakat base	(B)	**(114,095,919)**	90,808,016
Zakat base for the year – higher of (A) or (B)		**(114,095,919)**	90,808,016
Zakat charge for the year at 2.5% of Zakat base		--	2,270,200

No tax provision has been made in these financial statements due to taxable losses incurred by the Company during the year.

c) Movement in Zakat provision

The movement in Zakat provision is as follows:

	2017	2016
Balance at the beginning of the year	**2,698,958**	428,758
Charge during the year	--	2,270,200
Balance at the end of the year	**2,698,958**	2,698,958

19) CONTINGENCIES AND COMMITMENTS

a) Contingencies

Letters of credit and guarantees

The Company's banks have issued letters of guarantees amounting to SAR 50 million (2016: SAR 50 million) as at the balance sheet date.

Legal cases status

In the normal course of business, the Company became part of legal cases with a few suppliers. Management believes that the cases will be decreed in favor of the Company and accordingly no provision has been recognized.

19) CONTINGENCIES AND COMMITMENTS (CONTINUED)

b) Commitments

The Company has commitments resulting from major agreements which were entered into and not yet executed at the balance sheet date amounting to SAR 83.4 million (2016: SAR 87.9 million).

20) OPERATING LEASES

The Company has various operating leases for its offices, warehouses and operational facilities. Rental expenses for the year ended 31 March 2017 amounted to SAR 44.7 million (2016: SAR 44.9 million).

Future rental commitments at 31 March 2017 under these operating leases are as follows:

Years ending 31 March:	SAR
2017	39,100,510
2018	15,512,220
2019	2,543,400
2020	1,385,600
2021 and thereafter	--
	58,541,730

21) SEGMENTAL INFORMATION

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

- **Voice** comprise of local and international calls including interconnection.
- **Data** comprise of internet broadband services provided to business-to-business (B2B) and business-to-consumer (B2C).
- **Unallocated** represents other income which cannot be attributed to any of the reported operating segment.

	For the year ended 31 March 2017			
	Voice	**Data**	**Unallocated**	**Total**
Segment revenue	**156,907,183**	**264,838,689**	**--**	**421,745,872**
Segment profit / (loss)	**(143,819,054)**	**(109,401,067)**	**114,598,316**	**(138,621,805)**
Depreciation and amortization	**(18,496,549)**	**(151,828,509)**	**--**	**(170,325,058)**
Finance expenses	**(2,984,509)**	**(3,521,212)**	**--**	**(6,505,721)**

	For the year ended 31 March 2016			
	Voice	Data	Unallocated	Total
Segment revenue	186,737,183	156,296,283	--	343,033,466
Segment profit / (loss)	(90,998,986)	(203,222,193)	146,122,020	(148,099,159)
Depreciation and amortization	(20,446,812)	(167,837,209)	--	(188,284,021)
Finance expenses	(2,177,575)	(2,569,168)	--	(4,746,743)

The services are provided using same facilities, which are not segregated among the services activities, as the Company's management monitors its assets and liabilities on an integrated basis. The Company is developing segment information system to enhance the disclosed information. In addition, all of the Company's services are principally provided in Saudi Arabia.

22) RELATED PARTY TRANSACTIONS AND BALANCES

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

a) *Significant related party transactions*

Related parties	*Relationship*	*Nature of transaction*	2017	2016
Bahrain Telecommunications Company		Data revenue	**5,810,373**	1,797,439
	Shareholder	Interconnection revenue	**1,327,913**	257,854
		Interconnection cost	**1,947,500**	4,330,746
Ithraa Capital Company	Affiliate	Consultancy	**4,402,437**	62,156
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	**774,323**	715,725
Bithar Trading Company Limited (formerly Atheeb Trading Company Limited)	Shareholders	Data revenue	**512,064**	284,015
Founding shareholders	Shareholders	Guarantee fee	**407,310**	461,682
Key management personnel		Salaries and benefits	**2,764,500**	2,829,750
Board of Directors		Expenses	**75,000**	155,508

b) *Due from related parties*

Due from related parties	*Relationship*	2017	2016
Bahrain Telecommunications Company	Shareholder	**14,993,041**	10,709,334
Bithar Trading Company Limited (formerly Atheeb Trading Company Limited)	Shareholder	**1,937,109**	1,425,045
Saudi Arabian Marketing and Agencies Limited	Affiliate	**771,504**	1,014,564
Atheeb Saudi Intergraph Company Limited	Shareholder	**51,466**	--
Atheeb Maintenance and Services	Shareholder	**19,200**	--
Etihad Shams Company Limited	Affiliate	**21,600**	--
		17,793,920	13,148,943

c) *Due to related parties*

Due to related parties		2017	2016
Bahrain Telecommunications Company	Shareholder	**20,433,057**	22,276,226
Ithraa Capital Company	Affiliate	**4,402,437**	--
Al Nahla Trading and Contracting Company Limited	Shareholder	**52,515**	982,168
Bithar Trading Company Limited (formerly Atheeb Trading Company Limited)	Shareholder	**1,028,585**	925,190
Traco Group Trading and Contracting Company	Shareholder	**873,659**	836,062
Saudi Internet Company Limited	Shareholder	**655,244**	627,047
Bithar Communications & Information Technology Company Limited (formerly Atheeb Computer and Communications Company Limited)	Shareholder	**655,244**	627,047
Atheeb Maintenance and Services Company Limited	Shareholder	**655,244**	627,047
		28,755,985	26,900,787

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of risk is an essential element of the Company's business. The major risks faced by the Company are those related to credit, market, foreign exchange rates and liquidity. These risks are managed in the following manner:

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. Credit risk arises principally on trade receivables and bank balance.

The management believes that the Company has no significant exposure to credit risk in respect of bank balances, as these amounts are kept with local banks with sound credit ratings. The credit risk with respect to trade receivable is limited as these balances are spread among multiple customers. The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment and terms and conditions are offered. Further, the management has set up procedures to regularly follow up all overdue payments and an allowance for impairment is established that represents an estimate of incurred losses in respect of trade receivables.

Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

Interest rate risk

Interest rate risk are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arise only from Tawaroq financing, which is at floating rates of interest. All deposits and debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the interest rate risks to the Company are not significant due to a stable SAIBOR and monetary policy.

Foreign exchange rate risk

Foreign exchange rate risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liability in that currency. The Company is not significantly exposed to risk of fluctuation in foreign exchange rates as most of the Company's transactions are in Saudi Arabian Riyals.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions which may cause certain sources of funding to be unavailable. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments however as at 31 March 2017, the Company's current liabilities exceeds it current assets by SR 439 million.

Fair values of financial instruments

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. The fair values of on-balance sheet financial instruments are not significantly different from the carrying values included in these financial statements.