ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Financial Statements
For the year ended 31 March 2021
And with the Independent Auditor's Report

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

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For the year ended 31 March 2021
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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **Etihad Atheeb Telecommunication Company (the "Company")**, which comprise the statement of financial position as at 31 March 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidences about the differences of SAR 8.5 million between the carrying amount of a related party as at March 31, 2021 and the confirmation received, and we were unable to verify the carrying amount of the related party as at that date by performing alternative audit procedures. Accordingly, we were unable to determine whether any adjustments to this amount were necessary.

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 professional code of conduct and ethics that are endorsed 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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note (1) to the accompanying financial statements, which indicates that the accumulated losses of the Company amounted to SR 116.8 million as of 31 March 2021, exceeding half of the Company's capital, and the Company's current liabilities exceeded its current assets by SR 146.3 million as at 31 March 2021 and it made a loss of SR 39 million for the year then ended. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. As stated in Note (1), the management has made an assessment of the Company's ability to continue as a going concern, and as result, the accompanying financial statements has been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT ***(Continued)***
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

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 year. 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 Basis for Qualified Opinion section and 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.

<table>
<tr><th colspan="2">Revenue Recognition</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>There is an inherent risk relating to the completeness, existence and accuracy of recorded revenue given the complexity of the systems, the high volumes of data and the combination of different services into different products which are sold at varying prices. Significant management judgment is required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled products. Due to the estimates and judgment involved in the application of the revenue recognition standard and the complexity of the related IT systems and processes, we have identified this matter as a key audit matter.</td><td>Our audit procedures included testing of relevant controls and substantive procedures. 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;
• Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal controls over the IT environment in which the business systems operate, including access controls, program change controls, program development controls and IT operation controls;
• Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal IT controls over the completeness and accuracy of rating and bill generation and the end to end reconciliation controls from the rating and billing systems to the accounting system;
• Performing tests on the accuracy of customer invoice generation on a sample basis and testing the credits and discounts applied;
• Performing analytical reviews of significant revenue streams;
• Performing specific procedures to test the completeness and accuracy of adjustments relating to contracts containing multiple performance obligations.</td></tr>
<tr><td colspan="2">Refer to note (3-10) for the accounting policy and note (21) for related disclosures.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters *(Continued)*

Capitalization of assets and the assessment of useful lives and residual values for property and equipment	
Key audit matter	**How the matter was addressed in our audit**
Property and equipment represent a significant proportion of the Company's asset base. The estimates and assumptions made to determine the carrying amounts, including whether and when to capitalize or expense certain costs, and the determination of depreciation charges are material to the Company's financial position and performance. The charges in respect of periodic depreciation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual values could result in a material impact on the financial statements and is a matter of significance to our audit. We considered this matter to be a key audit matter due to the extent of judgment and assumptions involved in the assessment of useful lives and residual values.	We obtained an understanding of the relevant management controls relating to the capitalization of property and equipment. We evaluated the capitalization policies and assessed the timeliness of the transfer of assets under construction by agreeing the date that depreciation commenced to the date that the asset is ready for use. Our substantive testing of the determination of estimated useful lives and residual values included the following: • Considering management's judgments, including the appropriateness of the useful life assumptions and residual values applied in the calculation of depreciation. • Testing on a sample basis the accuracy of the cost capitalization and capex accrual.
Refer to notes (3-1) for the accounting policy and note (5) for related disclosures.	

Allowance for impairment of trade receivable	
Key audit matter	**How the matter was addressed in our audit**
The Company's trade receivables amounted to SR 291.7 million against which an impairment allowance of SR 103.9 million is maintained as at 31 March 2021. The Company uses the expected credit loss model (ECL) as required by International Financial Reporting Standard 9 (Financial Instrument) (IFRS 9) to calculate allowance for impairment in trade receivable. Further, the Company perform an assessment based on a set of relevant qualitative factors for some of the customers' categories. We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.	Our audit procedures performed included, among others, the following: • Assessed the design, implementation, and operating effectiveness of the key controls over the recording of trade receivables and settlements, and trade receivables aging reports. • Tested a sample of trade receivables to assess whether ECL has been recorded on a timely manner. • Assessed significant assumptions that are used to calculate the expected credit loss. • Tested the mathematical accuracy of the ECL model. • Assessed the appropriateness of the relevant disclosures included in the financial statements.
Refer to notes (3-5) for the accounting policy and note (9) for related disclosures.	

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

<table>
<tr><th colspan="2">Impairment of non-financial assets</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Company's statement of financial position as at 31 March 2021 includes non-financial assets amounting to SR 731.5 million. As part of its impairment assessment, the management has identified impairment indicators that relate to significant decreases in revenue and operating cash flows for certain assets. Accordingly, management has carried out an exercise to determine the recoverable amount of Cash Generating Units ("CGU"). As a result, it was noted that the recoverable amounts of those CGUs of selected property and equipment were lower than the carrying value. Accordingly, the Company has recorded an impairment loss of SR 93.4 million relating to property and equipment for the year ended 31 March 2021.

We identified the impairment of non-financial assets as a key audit matter, as the impairment assessment involves a significant degree of management judgement in determining the key assumptions of recoverable amounts; such as; projected revenue, projected costs, growth rates, discount rate, etc.</td><td>Our audit procedures performed included, among others, the following:
• Reviewed the management's process in identifying impairment indicators for non-financial assets;
• Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amounts of the Company's CGUs, including those relating to projected revenue, projected costs, growth rates and discount rate, etc. This included involvement of our internal specialists in evaluating these assumptions against external benchmarks and knowledge of the Company and its industry;
• Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets; and
• Assessed the adequacy of the Company's disclosures in respect of underlying assumptions, estimates used to determine carrying values and impairment losses of the respective CGUs.</td></tr>
<tr><td colspan="2">Refer to notes (3-4) for the accounting policy and note (5) for related disclosures.</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's 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 annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT ***(Continued)***
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, 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.

Those charged with governance, the Company's Board of Directors, are 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 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 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.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements *(Continued)*

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.

Report on Other Legal and Regulatory Requirements

As set out in Note (1) to the financial statements, the Company has taken certain legal steps in order to comply with the requirements of the Regulations for Companies in respect of accumulated losses exceeding half of the capital. However, as at the date of this report, the legal formalities are not completed yet.

License No 323/11/148
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant

Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants

Salman B. Al Sudairy
License No. 283

19 Dhul Qi'dah 1442H (June 29, 2021)
Riyadh, Kingdom of Saudi Arabia

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 March 2021
(Saudi Riyal)

	Note	31 March 2021	31 March 2020
ASSETS			
Non-current assets			
Property and equipment	5	**117,623,737**	221,878,420
Intangible assets	6	**365,023,588**	701,015,742
Right of use assets	7	**248,807,738**	260,274,226
Total non-current assets		**731,455,063**	1,183,168,388
Current assets			
Inventories	8	**9,556,609**	3,352,483
Trade receivables	9	**187,749,978**	212,396,537
Prepayments and other current assets	10	**35,270,978**	131,461,761
Cash and cash equivalents	11	**71,112,667**	122,530,311
Total current assets		**303,690,232**	469,741,092
TOTAL ASSETS		**1,035,145,295**	1,652,909,480
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**228,529,000**	228,529,000
Accumulated losses		**(116,789,640)**	(77,787,152)
Total equity		**111,739,360**	150,741,848
Liabilities			
Non-current liabilities			
Long term accounts payable	14	**211,583,356**	143,946,006
Lease liabilities	18	**250,254,221**	256,450,416
Employees' defined benefit obligation	15	**8,332,000**	8,310,000
Decommissioning provisions	16	**3,212,937**	3,094,644
Total non-current liabilities		**473,382,514**	411,801,066
Current liabilities			
Murabaha financing – current portion	13	**-**	7,767,084
Accounts payable	14	**156,167,714**	805,934,288
Accrued expenses and other current liabilities	17	**116,144,019**	131,816,320
Lease Liabilities – current portion	18	**113,417,377**	106,745,471
Deferred income	19	**36,895,353**	35,404,445
Provision for zakat and tax	20	**27,398,958**	2,698,958
Total current liabilities		**450,023,421**	1,090,366,566
Total liabilities		**923,405,935**	1,502,167,632
TOTAL EQUITY AND LIABILITIES		**1,035,145,295**	1,652,909,480

The accompanying notes (1) through (34) form an integral part of these financial statements.

Yahya Saleh Al Mansour
Chief Executive Officer

Dr. Eisa Baeesa
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2021
(Saudi Riyal)

	Note	2021	2020
Revenue	21	**282,099,669**	339,601,054
Cost of services	22	**(122,047,836)**	(151,984,807)
Gross profit		**160,051,833**	187,616,247
Selling and marketing expenses	23	**(34,598,920)**	(33,575,450)
Depreciation and amortization	5,6,7	**(99,675,778)**	(122,541,293)
Impairment loss on trade receivables	9	**(18,208,134)**	(20,410,369)
Impairment loss on property and equipment	5	**(93,369,022)**	-
General and administrative expenses	24	**(48,920,707)**	(64,939,933)
Other income	25	**102,168,358**	3,242,547
Loss from operations		**(32,552,370)**	(50,608,251)
Finance income / (costs), net	26	**18,993,476**	(20,999,789)
Loss before zakat and income tax		**(13,558,894)**	(71,608,040)
Zakat and income tax	20	**(24,700,000)**	-
Net loss for the year		**(38,258,894)**	(71,608,040)
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement (loss) gain of defined benefit obligation	15	**(743,594)**	112,000
Total comprehensive loss for the year		**(39,002,488)**	(71,496,040)
Loss per share – basic and diluted	27	**(1.67)**	(3.13)

The accompanying notes (1) through (34) form an integral part of these financial statements.

Yahya Saleh Al Mansour Chief Executive Officer	Dr. Eisa Baesia Chairman	Mahmoud Al Abdullah Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021
(Saudi Riyal)

	Share capital	Accumulated losses	Total
Balance at 1 April 2019	472,500,000	(250,262,112)	222,237,888
Loss for the year	-	(71,608,040)	(71,608,040)
Other comprehensive income	-	112,000	112,000
Total comprehensive loss for the year	-	(71,496,040)	(71,496,040)
Reduction of share capital to absorb accumulated losses	(243,971,000)	243,971,000	-
Balance at 31 March 2020	**228,529,000**	**(77,787,152)**	**150,741,848**
Loss for the year	-	**(38,258,894)**	**(38,258,894)**
Other comprehensive loss	-	**(743,594)**	**(743,594)**
Total comprehensive loss for the year	-	**(39,002,488)**	**(39,002,488)**
Balance at 31 March 2021	**228,529,000**	**(116,789,640)**	**111,739,360**

The accompanying notes (1) through (34) form an integral part of these financial statements.

Yahya Saleh Al Mansour
Chief Executive Officer

Dr. Eisa Baeshen
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 March 2021
(Saudi Riyal)

	Note	2021	2020
Cash flows from operating activities			
Loss before zakat and income tax		**(13,558,894)**	(71,608,040)
Adjustments for non-cash items:			
Depreciation and amortization	5,6,7	**99,675,778**	122,541,293
Gain on disposal of property and equipment		**-**	(114)
Settlement with a major vendor	25	**(101,132,388)**	-
Early payment discount from a vendor	25	**-**	3,195,249
Impairment loss on trade receivables	9	**18,208,134**	20,410,369
Impairment loss on property and equipment	5	**93,369,022**	-
Finance income/(costs)	26	**(18,993,476)**	20,999,789
Provision for employees' defined benefit obligation	15	**1,017,000**	1,324,000
		78,585,176	96,862,546
Changes in working capital:			
Inventories		**(1,300,376)**	(2,254,818)
Trade receivables		**6,438,425**	(69,893,783)
Prepayments and other current assets		**(1,609,217)**	(13,154,407)
Accounts payable		**(103,462,522)**	74,509,983
Accrued expenses and other current liabilities		**6,893,128**	(13,744,484)
Deferred income		**1,490,908**	1,575,737
		(12,964,478)	73,900,774
Finance costs paid		**(1,155,485)**	(2,241,811)
Employees' defined benefit obligation paid	15	**(2,053,594)**	(2,757,000)
Net cash (used in) generated from operating activities		**(16,173,557)**	68,901,963
Cash flows from investing activities			
Addition to property and equipment	5	**(7,092,662)**	(2,732,630)
Proceeds from the disposal of property and equipment		**-**	1,552
Net cash used in investing activities		**(7,092,662)**	(2,731,078)
Cash flows from financing activities			
Repayment of Murabaha financing		**(7,737,007)**	(31,068,153)
Payment of lease liabilities	18	**(20,414,418)**	(10,146,655)
Net cash used in financing activities		**(28,151,425)**	(41,214,808)
Net changes in cash and cash equivalents		**(51,417,644)**	24,956,077
Cash and cash equivalents at the beginning of the year		**122,530,311**	97,574,234
Cash and cash equivalents at the end of the year		**71,112,667**	122,530,311
Supplementary information for non-cash transaction:			
Disposal of intangible assets		**292,196,494**	-
Reduction in prepayments and other current assets		**97,800,000**	-
Addition of inventory		**(4,903,750)**	-
Offset of current] portion of lease liability		**(18,000,000)**	-
Reduction in accrued expenses and other current liabilities		**(22,565,429)**	-
Additions to right of use assets	7	**(26,435,307)**	(21,621,998)
Reduction in accounts payable		**(445,659,703)**	-
Impact of adoption of IFRS 16		**-**	298,234,404
Disposal of right of use assets		**-**	9,108,803
Capital reduction		**-**	(243,971,000)

The accompanying notes (1) through (34) form an integral part of these financial statements.

Yahya Saleh Al Mansour
Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Dr. Eisa Baesia
Chairman

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 3704 King Abdullah Branch Rd – AlMughrizat district P.O. Box 12482-6488 Riyadh. 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'l 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 6.1).

The activity 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.

As at 31 March 2021, the authorized, issued and paid up share capital of the Company is SAR 228.529 million (31 March 2020: 228.529 million divided into 22.8529 million shares of SAR 10 each.

b) In response to the spread of the Covid-19 resulting in disruptions to the social and economic activities in the markets around the world and kingdom of Saudi Arabia, the management has proactively assessed its impacts on its operations and has taken a series of preventive measures. The telecommunications industry has been designated as an essential service by the Government of the Kingdom of Saudi Arabia and as such the Company continues to operate while taking into account the health and safety of its workforce. The Management believes that Covid-19 epidemic has had a material impact on the Company's financial results for the year ended March 31, 2021 for the period from April 1, 2020 to May 31, 2020 (Lockdown period) as a result of the decrease in revenues from the consumer segment due to the inability to attract new customers, in addition to the unavailability of products and supplies used in the operations, and as a result of the decrease in revenues from the business sector due to the deterioration of the financial position of the Company's customers from small and medium-sized companies. And in any case, the Management will continue to monitor the situation closely and will adjust any changes required in the future financial reporting periods.

Going concern:

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its liabilities under both normal and stressed conditions.

The statement of financial position as at 31 March 2021 shows that the accumulated losses of the Company amounting to SAR 116.8 million exceeded half of its capital, which is subject to certain regulatory procedures according to the provision of the Companies Law. Also, the Company's current liabilities exceeded its current assets by SAR 146.3 million as of that date (As at 31 March 2020: SAR 620.6 million) and the Company incurred a loss of SAR 39 million for the year then ended.

According to the requirements of Article No. 150 of the Companies Law, the Company is required to follow certain steps and procedures, if its accumulated losses exceed half of its capital. The Chairman of the Board of Directors and the Audit Committee were informed on June 29, 2021 that the accumulated losses amounted to 51.10% of the capital, and the Chairman of the Board of Directors informed the members of the Board about it, and the Board of Directors will complete the regulatory procedures according to the requirements of Article No. 150 of the Companies Law.

(Saudi Riyal)

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

Going concern (continued):
The management believes that the cash inflows, in normal course of business, will be sufficient to meet its liabilities for a period at least 12 months from the date of the financial statements based on the following:

- In February 2021, the Company signed an agreement, with an effective date of December 31, 2020, with one of its major vendors to settle all balances and dues between the two parties which resulted in a net reduction (gain) of SAR 101 million on net balances payable to a major vendor. As of the effective date, the new balance payable to the major vendor was SAR 370 million and its payment was re-scheduled as a down-payment of SAR 125 million upon signing the agreement with the remaining amount of SAR 245 million (as shown below) to be paid in five equal installments resulting in an additional gain of SAR 36 million on rescheduling (refer Note 14).

Installment No.	Amount (SAR)	Date of payment
First	49 million	July 1, 2022
Second	49 million	July 1, 2023
Third	49 million	July 1, 2024
Fourth	49 million	July 1, 2025
Fifth	49 million	January 1, 2026
Total	245 million	

- The Company's business will improve by sealing new sales agreements which will result in the growth in revenue for the future periods and in the generation of cash that will enable the Company to meet its obligations as and when they become due.

- The management is also considering certain other aspects to improve the Company's performance mainly including the enhancement of the Company's existing network infrastructure, deployment of new technologies, exploring alternative uses of the Company's frequency spectrum, and cost optimization plans.

As described above, the management has a reasonable expectation that the Company has adequate resources to meet its liabilities as they become due. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

2. BASIS OF PREPARATION

a) Statement of compliance
The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

b) Basis of measurement
The financial statements have been prepared on the historical cost basis except for employees' defined benefit obligation that has been valued at present value of future liabilities using the projected unit credit method.

c) Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost comprises the initial cost of purchasing the equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labor costs, capitalized borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is charged to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. The depreciation is charged from the date the asset is available for use until the date of its disposal or de-recognition.

The estimated useful lives of property and equipment are as follows:

	Years
Leasehold improvements	lower of lease term or 10
Network infrastructure	4-15
Facilities, vehicles, support and IT equipment	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets and is recognized in profit or loss. The amortization is charged from the date the intangible assets are available for use until the date of its disposal or de-recognition. Amortization methods. useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The Company's intangible assets comprise of the following:

Licenses
Acquired telecommunication licenses are initially recognized at cost. Licenses are amortized on a straight line basis over their estimated useful lives from when the related networks are available for use.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Intangible assets (continued)

Indefeasible rights of use (IRUs) – network capacity
IRUs represent the rights to use portions of the capacity of transmission cables granted for a fixed period. IRUs are recognized at cost as intangible assets when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers. They are amortized on a straight line basis over the life of the contract.

Computer software
Computer software are initially recognized at cost and are amortized on a straight line basis over their estimated useful lives, from the date of initial recognition.

Useful lives
The estimated useful lives of the Company's intangible assets are as follows:

	Years
Licenses	40
Network capacity	7-15
Computer software	5-10

3.3 Leases

The Company assesses whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognizes right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

3.5 Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition. Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Financial assets classified as amortized cost (continued)

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the statement of profit or loss.
Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in statement of other comprehensive income are reclassified to the statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.
Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Financial assets classified as FVPL (continued)
Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in statement of profit or loss.
Commission income on debt instruments as at FVPL is included in the statement of profit or loss. Dividend income on investments in equity instruments at FVPL is recognized in the statement of profit or loss when the Company's right to receive the dividends is established.

Investment in equity instruments designated as FVOCI
On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:
- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in statement of other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to statement of profit or loss and no impairment is recognized in income statement. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in statement of other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method. For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to statement of profit or loss.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Financial liabilities (continued)

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.6 Inventories

Inventories comprise of modems, pre-paid cards, scratch cards and other telecommunication equipment, which are measured at the lower of 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 is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made, where necessary, for obsolete, slow moving and defective inventory items.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Company without any restrictions.

3.8 Employees' defined benefit obligation

The Company operates an unfunded gratuity scheme for all of its employees in accordance with the requirements of Saudi Labor Law. The Company's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods on the basis of actuarial valuation.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognizes the following changes in the defined benefits obligation in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation has been performed by a qualified actuary using the projected unit credit method. The most recent actuarial valuation was performed on 31 March 2021.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Provisions

(i) Decommissioning provisions

The provision for decommissioning cost arises on construction of networking sites. A corresponding asset is recognized in property and equipment upon initial recognition of the provision. Dismantling costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(ii) General

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the profit or loss account.

3.10 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue recognition (continued)

Significant accounting judgements and estimates

The following is a description, accounting policies and significant judgements of the principal activities from which the Company generates revenue:

Data and voice revenue
Revenue from data and voice services is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Company allocates transaction price to each distinct performance obligation based on respective standalone selling price. If performance obligations are not distinct, revenue is recognized over the contract term. Revenue from additional consumption is recognized when services are rendered.

Installation and set-up fee revenue
The B2C services provided by the Company has onetime installation and set-up fee elements that is invoiced to the customer at the inception of the service.

The Company identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone. Hence, revenue is recognized over the average contract life.

Customer acquisition cost and contract fulfillment
The Company incurs costs that are solely incremental to
- obtaining contracts with customers (i.e. commission, sales incentives etc.)
- fulfilling the obligations under the contracts with customers (i.e. sub-contractor costs) and that would not otherwise be incurred.

All such costs that are incremental and incurred directly as a result of obtaining a contract / fulfilling obligations under a contract with a customer and are capitalized and amortized over the contract term, to the extent that the Company intends to recover such balances.

3.11 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3.12 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange differences arising on translations are recognized in the profit or loss account.

3.13 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (ZTCA). The Company's zakat and income tax is charged to the statement of profit or loss.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 *Zakat and income tax (continued)*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Additional Zakat and income tax liability, if any, related to prior years' assessments arising from ZTCA are accounted for in the year in which the final assessments are finalized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company has not recognized any deferred tax asset or liability as the timing differences are not material.

3.14 *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.15 *Segment Reporting*

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed by the Company's Chief Operating Decision Maker "CODM" to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.16 *New Standards, Interpretations and Amendments Adopted by The Company*

New IFRS Standards, Issued and Adopted

Amendments to IFRS and IFRIC that were applied by the Company with effective date on 1 April 2020 and had no material impact as follows:

- Amendments on some references to the Conceptual Framework for Financial Reporting
- Amendments to IAS 39, IFRS 7 and IFRS 9 - Interest Rate Benchmark Reform
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 16 – Covid-19 Related Rent Concessions (effective 1 June 2020)

Other Amendments of relevant IFRS's issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company at their effective dates.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRSs as endorsed in kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.
The useful life of each of the Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

Useful lives of property and equipment (continued)

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Provision for impairment of accounts receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Defined benefits obligation

The cost of defined benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Contingencies

The Company is currently involved in certain legal proceedings. Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Company's defense in these matters and are based upon the probability of potential results. The Company's management currently believes that these proceedings will not have a material effect on the financial statements. It is possible, however, that future results of operations could be materially affected depending on the final outcome of the proceedings.

Revenue

a) Identifying performance obligations in a bundled sale of devices and services

The Company analyses whether devices and services are capable of being distinct or not. The Company provides services that are either sold separately or bundled together with the sale of devices to a customer.

b) Consideration of significant financing component in a contract

The Company analyses significant financing component in a contract where payment terms are exceeding more than one year for the date of services rendered. In determining the interest to be applied to the amount of consideration, the Company uses discount rate as appropriate in the circumstances.

(Saudi Riyal)

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Network infrastructure	Facilities, vehicles, support & IT equipment	Capital work in progress	Total
Cost:					
Balance at 1 April 2019	3,670,619	1,063,428,172	32,760,691	4,629,519	1,104,489,001
Additions during the year	-	2,732,630	-	-	2,732,630
Disposals during the year	-	-	(7,880)	-	(7,880)
Balance at 31 March 2020	3,670,619	1,066,160,802	32,752,811	4,629,519	1,107,213,751
Additions during the year	1,376,517	4,772,775	943,370	-	7,092,662
Balance at 31 March 2021	**5,047,136**	**1,070,933,577**	**33,696,181**	**4,629,519**	**1,114,306,413**
Accumulated depreciation and impairment:					
Balance at 1 April 2019	3,670,619	834,135,581	28,892,035	-	866,698,235
Charge for the year	-	18,053,960	589,578	-	18,643,538
Disposals during the year	-	-	(6,442)		(6,442)
Balance at 31 March 2020	3,670,619	852,189,541	29,475,171	-	885,335,331
Depreciation charge for the year	22,669	17,573,087	382,567	-	17,978,323
Impairment on property and equipment during the year	-	93,369,022	-	-	93,369,022
Balance at 31 March 2021	**3,693,288**	**963,131,650**	**29,857,738**	-	**996,682,676**
Net book value:					
At 31 March 2021	**1,353,848**	**107,801,927**	**3,838,443**	**4,629,519**	**117,623,737**
At 31 March 2020	-	213,971,261	3,277,640	4,629,519	221,878,420

During the year, the Company has capitalized internal technical salaries amounting to SAR 1.2 million (For the year ended March 31, 2020: SAR 0.66 million).

5. PROPERTY AND EQUIPMENT (CONTINUED)

Impairment test

Non-financial assets are tested annually for impairment where management determines that indicators of impairment exist. Management performed an impairment assessment of its non-current assets as at 31 March 2021. The recoverable amount was based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the non-financial assets. The recoverable amount was determined to be lower than the carrying value. Accordingly, an impairment loss was recognized by amount of SAR 93.4 million and it was recognized separately in the statement of profit or loss and other comprehensive income.

The key assumptions used in the estimation of value in use were as follows:

	Percentage
Discount rate	10%
Terminal growth rate	2%

The discount rate was a post-tax measure estimated based on the weighted-average cost of capital of the Company.

The cash flow projections included specific estimates for ten years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price changes for the next ten years.

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6. INTANGIBLE ASSETS

	License	Network capacity (note 6.2)	Software	Total
Cost:				
Balance at 1 April 2019	527,904,000	580,929,926	52,164,807	1,160,998.733
Additions during the year	-	-	-	-
Balance at 31 March 2020	527,904,000	580,929,926	52,164,807	1,160,998,733
Disposals during the year	-	(415,076,586)	-	(415,076,586)
Balance at 31 March 2021	**527,904,000**	**165,853,340**	**52,164,807**	**745,922,147**
Accumulated amortization:				
Balance at 1 April 2019	188,303,908	169,056,417	49,198,284	406,558,609
Charge for the year	11,320,004	39,307,652	2,796,726	53,424,382
Balance at 31 March 2020	199,623,912	208,364,069	51,995,010	459,982,991
Charge for the year	11,320,003	32,378,626	97,031	43,795,660
Disposals during the year	-	(122,880,092)	-	(122,880,092)
Balance at 31 Year 2021	**210,943,915**	**117,862,603**	**52,092,041**	**380,898,559**
Net book value:				
At 31 March 2021	**316,960,085**	**47,990,737**	**72,766**	**365,023,588**
At 31 March 2020	328,280,088	372,565,857	169,797	701,015,742

6.1 As stated in Note 1-a, 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).

6.2 These represent various Indefeasible Rights of Use ("IRU") agreements signed with telecom operators in the Kingdom of Saudi Arabia. A new agreement has been reached with one of the telecom operators in respect of the indefeasible right to use FTTH in exchange for settlement agreement with this operator (Note 1).

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7. RIGHT OF USE ASSETS

	Tower Sites	Telecommunication Towers	Building & Warehouses	Total
Cost:				
Balance at 1 April 2019	-	-	-	-
Impact of adoption of IFRS 16	296,388,205	848,222	997,977	298,234,404
Additions during the year	21,621,998	-	-	21,621,998
Disposals during the year	(9,108,803)	-	-	(9,108,803)
Balance at 1 April 2020	308,901,400	848,222	997,977	310,747,599
Additions during the year	13,306,064	-	13,129,243	26,435,307
Balance at 31 March 2021	**322,207,464**	**848,222**	**14,127,220**	**337,182,906**
Accumulated depreciation:				
Balance at 1 April 2019	-	-	-	-
Charge for the year	49,850,223	175,416	447,734	50,473,373
Balance at 1 April 2020	49,850,223	175,416	447,734	50,473,373
Charge for the year	35,651,678	175,416	2,074,701	37,901,795
Balance at 31 March 2021	**85,501,901**	**350,832**	**2,522,435**	**88,375,168**
Net book value:				
At 31 March 2021	**236,705,563**	**497,390**	**11,604,785**	**248,807,738**
At 31 March 2020	259,051,177	672,806	550,243	260,274,226

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8. INVENTORIES

	Note	31 March 2021	31 March 2020
Customer Premises Equipment and USB Dongles		**21,181,881**	15,470,869
Spare parts		**2,153,979**	1,660,865
Prepaid cards		**171,261**	171,261
		23,507,121	17,302,995
Provision for obsolete and slow moving inventories	8.	**(13,950,512)**	(13,950,512)
		9,556,609	3,352,483

8.1 Movement in provision for obsolete and slow moving inventories is as follows:

	31 March 2021	31 March 2020
Balance at beginning of the year	**13,950,512**	13,950,512
Charge for the year	**-**	-
Balance at end of the year	**13,950,512**	13,950,512

9. TRADE RECEIVABLES

	Note	31 March 2021	31 March 2020
Trade receivables	9.1	**291,681,785**	298,120,210
Less: provision for impairment on trade receivables	9.2	**(103,931,807)**	(85,723,673)
		187,749,978	212,396,537

9.1 Trade receivables include an amount of SAR 47,944,492 (31 March 2020: SAR 44,725,551) due from related parties. (Note 30)

9.2 The ageing analysis of net trade receivables at the reporting date are as follows:

2021	Government	Non-government	Total
Not past due	**1,058,276**	**98,317,439**	**99,375,715**
Past due:			
1-180 days	**5,530,648**	**34,844,525**	**40,375,173**
Over 180 days	**5,170,183**	**42,828,907**	**47,999,090**
Total net trade receivables	**11,759,107**	**175,990,871**	**187,749,978**

2020	Government	Non-government	Total
Not past due	2,525,551	90,768,506	93,294,057
Past due:			
1-180 days	11,083,805	49,640,095	60,723,900
Over 180 days	14,534,147	43,844,433	58,378,580
Total net trade receivables	28,143,503	184,253,034	212,396,537

9.3 Movement in Impairment provision is as follows:

	31 March 2021	31 March 2020
Balance at beginning of the year	**85,723,673**	65,313,304
Charge for the year	**18,208,134**	20,410,369
Balance at end of the year	**103,931,807**	85,723,673

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10. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	**31 March 2021**	31 March 2020
Margins held by banks against letters of guarantee issued		**13,363,430**	14,004,271
Advances to suppliers		**10,825,459**	2,706,744
Prepayments		**7,303,373**	8,527,631
Advances to employees		**587,109**	1,071,997
Receivable from a major vendor	1B	**-**	97,800,000
Value Added Tax refundable, net		**-**	5,475,725
Other receivables		**3,191,607**	1,875,393
		35,270,978	131,461,761

11. CASH AND CASH EQUIVALENTS

This represents cash held in current accounts with banks operating in the Kingdom of Saudi Arabia.

12. STATUTORY RESERVE

In accordance with the Company's Bylaws, the Company is required set aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. No such transfer is made as the Company has accumulated losses.

13. MURABAHA FINANCING

This represents Murabaha financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements 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 fully paid the loan in April 2020.

	31 March 2021	31 March 2020
Current portion	**-**	7,767,084

14. ACCOUNTS PAYABLE

	Note	**31 March 2021**	31 March 2020
Due to a major vendor *		**218,395,502**	782,808,259
Due to related parties	30	**31,606,034**	30,463,525
Other vendors		**117,749,534**	136,608,510
Balance at the end of the year		**367,751,070**	949,880,294
Current-portion		**156,167,714**	805,934,288
Non-current portion	14.1	**211,583,356**	143,946,006
Balance at the end of the year		**367,751,070**	949,880,294

* The Company signed a new agreement with a major vendor to settle all balances and dues between the two parties, which resulted in a new agreed balance due to the major vendor related to all services (Note 1).

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14. ACCOUNTS PAYABLE (continued)

14.1 Movement in non-current portion of due to a major vendor is as follows:

	31 March 2021
Undiscounted balance at December 31, 2020 **	370,000,000
Discount from present value calculation	(35,860,133)
Discounted balance at December 31, 2020	334,139,867
Unwinding of discount during the year	2,443,489
Paid during the year	(125,000,000)
Balance at end of the year	211,583,356

** This balance represents the new balance payable to the major vendor at the effective date of the agreement, i.e. December 31, 2020.

15. EMPLOYEES' DEFINED BENEFIT OBLIGATION

15.1 Movement in the present value of the defined benefit obligation is as follows:

	Note	31 March 2021	31 March 2020
Balance at beginning of the year		8,310,000	9,524,000
Current service cost		1,017,000	1,324,000
Interest cost		315,000	331,000
Amount recognized in profit or loss account		1,332,000	1,655,000
Re-measurement loss\ (gain) recognized in other comprehensive loss\ (income)	*15.2*	743,594	(112,000)
Benefits paid during the year		(2,053,594)	(2,757,000)
Balance at the end of the year		8,332,000	8,310,000

15.2 Re-measurements (loss)/gain recognized in other comprehensive income are as follow:

	31 March 2021	31 March 2020
Gain resulting from the change in financial assumptions	-	140,000
(Loss) /gain resulting from experience adjustments	(743,594)	(28,000)
Actuarial (loss)/gain	(743,594)	112,000

15.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 March 2021	31 March 2020
Key actuarial assumptions:		
Discount rate used	3.80%	3.80%
Future growth in salary	0.50%	0.50%
Demographic assumptions:		
Retirement Age	60 years	60 years

15.4 Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 March 2021		31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	7,907,000	8,815,000	7,878,000	8,801,000
Future salary growth (1% movement)	8,826,000	7,890,000	8,813,000	7,860,000

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15. EMPLOYEES' DEFINED BENEFIT OBLIGATION (continued)

15.5 Risks associated with defined benefit plans

Longevity risks:
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:
The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

16. DECOMMISSIONING PROVISIONS

	Note	**31 March 2021**	31 March 2020
Balance at the beginning of the year		**3,094,644**	2,980,651
Unwinding of discount for the year	26	**118,293**	113,993
Balance at the end of the year		**3,212,937**	3,094,644

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	**31 March 2021**	31 March 2020
Government fees	17.1	**70,888,106**	78,804,027
Employees' related expenses		**9,127,062**	9,760,634
Capacity lease		**8,939,462**	14,837,736
Voice interconnection		**1,916,943**	5,198,196
Electricity		**615,726**	6,542,512
Value Added Tax, net		**1,524,662**	-
Others		**23,132,058**	16,673,215
		116,144,019	131,816,320

17.1 This represents amounts accrued in respect of royalty fees payable to CITC. As more fully explained in (Note 28a).

18. LEASE LIABILITIES

This pertains to the amount of operating leases recognized as lease liabilities under IFRS 16. The details and movement of these are as follows:

	31 March 2021	31 March 2020
Liability		
Balance at the beginning of the year	**363,195,887**	-
Impact of adoption of IFRS 16	-	347,402,809
Additions during the year	**26,435, 307**	21,621,998
Disposals during the year	-	(9,108,803)
Finance cost	**12,454,822**	13,426,538
Paid during the year	**(20,414,418)**	(10,146,655)
Lease liability offset during the year	**(18,000,000)**	-
Lease liability at the end of the year	**363,671,598**	363,195,887
Current portion	**113,417,377**	106,745,471
Non-current portion	**250,254,221**	256,450,416
	363,671,598	363,195,887

Expenses related to short-term amount to SAR 72.24 million and there are no lease contracts for low-value assets. (Year ended March 31, 2020: SAR 97.09 million).

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19. DEFERRED INCOME

This represent amounts billed/collected in advance from customers and will be recognized as revenue over the service period. Revenue recognized during the year that was included in the deferred income balance at the beginning of the year amounted to SAR 29.01 million (For the year ended March 31, 2020: SAR 23.54 million).

20. PROVISION FOR ZAKAT AND TAX

20.1 Movement:

Movement in provision for zakat and tax is as follows:

	31 March 2021	31 March 2020
Balance at beginning of the year	**2,698,958**	2,698,958
Zakat charge during the year	**4,504,856**	-
Income tax charge during the year	**37,256**	-
Provision for zakat assessment related to prior years	**20,157,888**	-
Balance at end of the year	**27,398,958**	2,698,958

20.2 Computation of zakat

	31 March 2021	31 March 2020
Adjusted profit (loss)		
Net loss for the year	**(13,558,894)**	(71,608,040)
Adjustments: provisions and others	**112,909,156**	19,422,362
Adjusted profit (loss) for the year	**99,350,262**	(52,185,678)
Saudi shareholders' share of adjusted profit/(loss) @ 99.75% (March 31, 2020: @ 96%)	**99,101,886**	(50,098,251)
Additions		
Share capital	**228,529,000**	228,529,000
Long term payables	**301,985,784**	143,946,006
Provisions	**105,930,591**	89,919,242
Lease liabilities	**344,796,051**	363,195,887
	981,241,426	825,590,135
Deductions		
Accumulated losses at beginning of year	**(77,787,152)**	(250,262,112)
Net book value of property and equipment at end of year	**(824,824,085)**	(1,183,168,388)
	78,630,189	(607,840,365)
Share of Saudi shareholders @ 99.75% (March 31, 2020: @ 96%)	**78,433,614**	(583,526,750)
Saudi shareholders' share of adjusted profit / (loss)	**99,101,886**	(50,098,251)
Zakat base	**177,535,500**	(633,625,001)
Zakat charge for the year	**4,504,856**	-

During 2020, zakat is payble of 2.57768% of zakat base after deducting adjusted profit attributable to shareholders and 2.5% of adjusted profit.

During 2021, zakat is payble of 2.584745% of zakat base deducting adjusted profit attributable to shareholders and 2.5% of adjusted profit.

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20. PROVISION FOR ZAKAT AND TAX (continued)

20.3 Computation income tax:

	31 March 2021	31 March 2020
Non-Saudi shareholders' share of adjusted profit/(loss) 0.25% (March 31, 2020: 4%)	**248,376**	(2,087,427)
Deductions		
Accumulated losses at beginning of year	**(62,094)**	-
Tax base	**186,282**	(2.087.427)
Tax charge for the year (20%)	**37,256**	-

20.4 Zakat and tax status

The Company has filed its Zakat and tax return with the Zakat, Tax and Customs Authority ("ZTCA") for the years up to 31 March 2020.

In July 2015, the ZTCA 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 ZTCA 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 SAR 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 ZTCA.

The ZTCA has not issued any assessment up to date with relation to the year 2013.

In July 2020, the ZTCA raised zakat assessment for the year 2014 for an additional amount of SAR 5.53 million. In September 2020, the Company objected against the assessment raised by the ZTCA. In December 2020, the ZTCA revised the additional amount to become SAR 5.44 million. However, the Company filed an appeal with the General Secretariat of Tax Committees ("GSTC") against the ZTCA's response received on the objection. The decision from the GSTC is awaited.

During the year, the ZTCA raised zakat and tax assessment for the fiscal years 2015, 2016, 2017 and 2018 with an additional amount of SAR 4.09 million, SAR 4.57 million, SAR nil, and SAR 18 million respectively. The Company objected to these assessments and is awaiting ZTCA's response.

The management and the zakat advisor are of the view that no additional provision is required other than what has already been provided for.

21. REVENUE

	31 March 2021	31 March 2020
Usage and activation revenue	**249,183,505**	285.126.432
Voice interconnection revenue	**32,916,164**	54.474,622
	282,099,669	339,601,054

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22. COST OF SERVICES

	31 March 2021	31 March 2020
Capacity lease charges	**73,076,942**	93,339,582
Technical employees' costs	**14,605,182**	14,639,071
Inventory consumption and installation	**11,734,881**	4,516,215
Network maintenance and support	**7,883,227**	10,472,713
Voice interconnection charges	**6,217,823**	24,455,483
Government fees	**3,837,547**	694,372
Site rentals and utilities	**1,638,507**	1,411,180
Other	**3,053,727**	2,456,191
	122,047,836	151,984,807

23. SELLING AND MARKETING EXPENSES

	31 March 2021	31 March 2020
Sales and marketing employees' costs	**20,964,582**	16,598,775
Dealers' commission	**11,246,492**	14,581,145
Customer care	**1,996,307**	2,095,866
Point of display and flagship rental	**56,704**	69,231
Other	**334,835**	230,433
	34,598,920	33,575,450

24. GENERAL AND ADMINISTRATIVE EXPENSES

	31 March 2021	31 March 2020
Government fees	**19,076,057**	21,738,329
Administrative and support employees' costs	**12,986,286**	22,903,937
Network maintenance and support	**4,365,071**	5,034,395
Office rent	**2,799,362**	3,749,220
Medical, visa and iqama charges	**2,629,449**	2,868,664
Professional and consultancy charges	**1,690,983**	1,400,815
Utilities charges	**1,079,020**	1,816,803
Computer accessories and software	**184,377**	107,518
Other	**4,110,102**	5,320,252
	48,920,707	64,939,933

25. OTHER INCOME

	Note	31 March 2021	31 March 2020
Settlement with a major vendor	1	**101,132,388**	-
Early payment discount from a vendor		**-**	3,195,249
Others		**1,035,970**	47,298
		102,168,358	3,242,547

26. FINANCE INCOME / (COSTS), Net

	Note	31 March 2021	31 March 2020
Finance income	14	**35,860,133**	-
Interest cost on lease liabilities	18	**(12,454,822)**	(13,426,538)
Unwinding of discount on long term liability		**(2,845,822)**	(4,764,707)
Murabaha financing costs		**30,077**	(1,047,355)
Net interest on defined benefit liability	15.1	**(315,000)**	(331,000)
Guarantee fee to the founding shareholders		**(7,312)**	(121,740)
Unwinding of provision for dismantling cost	16	**(118,293)**	(113,993)
Other		**(1,155,485)**	(1,194,456)
		18,993,476	(20,999,789)

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27. LOSS PER SHARE

	31 March 2021	31 March 2020
Loss for the year	**(38,258,894)**	(71,608,040)
Weighted average number of shares for the year	**22,852,900**	22,852,900
Basic and diluted loss per share	**(1.67)**	(3.13)

Loss per share is computed by dividing net loss attributable to the ordinary shareholders of the Company for the years ended 31 March 2021 and 31 March 2020, by the weighted average number of shares outstanding during the years ended 31 March 2021 and 31 March 31, 2020.

28. CONTINGENT LIABILITIES

Letter of guarantees
The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2020: SAR 50 million) as at the reporting date.

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

CITC liability
The Ministry of Finance, in its letter dated 26 August 2017 instructed the Company to pay an amount of SAR 155.7 million to CITC as royalty. The Company finalized certain aspects of the mechanism for calculation of the royalty fee payable to CITC and the CITC issued revised invoices for royalty fees. However, the CITC has also issued royalty fee invoices on internet revenue of the Company. The management and the legal advisor are of the view that internet revenue is not subject to the royalty fees and accordingly has raised the matter with the CITC. The management believes that the actual amount payable to CITC against all of its claims will not exceed the amount already accrued in the books of accounts and accordingly no accrual has been recorded in respect of the disputed invoices. Subsequently from 31 January 2018, the CITC has revised the calculation of the royalty fee to include internet services.

29. SEGMENTAL INFORMATION

Information regarding the Company's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) and used to allocate resources to the segments and to assess their performance.

The Company is engaged in a single line of business, being the supply of telecommunication services and related products. The majority of the Company's revenues, profits and assets relate to its operations in Saudi Arabia. The operating segments that are regularly reported to the CODM 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 others which cannot be attributed to any of the reported operating segment.

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29. SEGMENTAL INFORMATION (continued)

The CODM used to receive other operational financial aggregates on a group consolidated level. This is the measure reported to the Company's Board of Directors for the purpose of resource allocation and assessment of segment performance.

	As at 31 March 2021			
	Voice	Data	Unallocated	Total
Segment assets				
Property and equipment	3,071,369	114,552,368	-	117,623,737
Intangible assets	9,531,428	355,492,160	-	365,023,588
Right of use assets	6,496,822	242,310,916	-	248,807,738
Total assets	121,057,832	914,087,463	-	1,035,145,295
Total liabilities	301,893,275	621,512,660	-	923,405,935

	For the year ended 31 March 2021			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	32,916,164	249,183,505	-	282,099,669
Cost of services	(4,868,649)	(117,179,187)	-	(122,047,836)
Gross profit	28,047,515	132,004,318	-	160,051,833
Selling and marketing expenses	-	-	(34,598,920)	(34,598,920)
Depreciation and amortization	(946,932)	(98,728,846)	-	(99,675,778)
Impairment loss on trade receivables	-	-	(18,208,134)	(18,208,134)
Impairment loss on property and equipment	(2,438,035)	(90,930,987)	-	(93,369,022)
General and administrative expenses	-	-	(48,920,707)	(48,920,707)
Other income	-	-	102,168,358	102,168,358
Finance income, net	-	-	18,993,476	18,993,476
Zakat and income tax	-	-	(24,700,000)	(24,700,000)
Net profit (loss)	24,662,548	(57,655,515)	(5,265,927)	(38,258,894)

	As at 31 March 2020			
	Voice	Data	Unallocated	Total
Segment assets				
Property and equipment	5,793,649	216,084,771	-	221,878,420
Intangible assets	18,304,794	682,710,948	-	701,015,742
Right of use assets	6,796,233	253,477,993	-	260,274,226
Total assets	185,984,013	1,466,925,467	-	1,652,909,480
Total liabilities	659,204,028	842,963,604	-	1,502,167,632

	For the year ended 31 March 2020			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	54,474,622	285,126,432	-	339,601,054
Cost of services	(6,062,874)	(145,921,933)	-	(151,984,807)
Gross profit	48,411,748	139,204,499	-	187,616,247
Selling and marketing expenses	-	-	(33,575,450)	(33,575,450)
Depreciation and amortization	(1,164,157)	(121,377,136)	-	(122,541,293)
Impairment loss on trade receivables	-	-	(20,410,369)	(20,410,369)
General and administrative expenses	-	-	(64,939,933)	(64,939,933)
Other income	-	-	3,242,547	3,242,547
Finance costs	-	-	(20,999,789)	(20,999,789)
Net profit (loss)	47,247,591	17,827,363	(136,682,994)	(71,608,040)

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30. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise the shareholders having significant influence, their affiliated companies and key management personnel. In the ordinary course of business, the Company enters into transactions with related parties on terms approved by the Board of Directors of the Company.

Significant transactions entered into with related parties are as follows:

Related parties	*Relationship*	*Nature of transaction*	For the year ended 31 March 2021	For the year ended 31 March 2020
Atheeb Maintenance and Services limited	Shareholder	Data revenue	**20,160**	81,275
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	**189,660**	222,659
Bahrain Telecommunication Company	Shareholder	Data revenue	**3,895,043**	6,104.590
		Interconnection revenue	**3,046,516**	3.279.321
		Interconnection cost	**1,123,594**	1.499.580
Bithar Trading Company Limited	Shareholder	Data revenue	**276,919**	412,978
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	**643,662**	1,162.863
Etihad Shams Company Limited	Affiliate	Data revenue	**30,141**	31,017
Founding shareholders	Shareholder	Guarantee fee	**18,915**	121,740
Key management personnel		Salaries and benefits	**3,452,471**	1.731.000
Board of Directors		Expenses	**288,253**	221.528

The above transaction resulted in the following balances with these companies:

Due from related parties	*Relationship*	**31 March 2021**	31 March 2020
Bahrain Telecommunications Company	Shareholder	**42,556,016**	40,168,637
Bithar Trading Company Limited	Shareholder	**735,148**	458,229
Saudi Arabian Marketing and Agencies Limited	Affiliate	**4,460,352**	3,866,554
Atheeb Saudi Intergraph Company Limited	Shareholder	**94,930**	148,391
Atheeb Maintenance and Services	Shareholder	**86,068**	80.588
Etihad Shams Company Limited	Affiliate	**11,978**	3,152
		47,944,492	44,725.551

Due to related parties	*Relationship*	**31 March 2021**	31 March 2020
Bahrain Telecommunications Company	Shareholder	**29,710,737**	28,573,852
Bithar Trading Company Limited	Shareholder	**53,381**	51,525
Traco Company Trading and Contracting Company	Shareholder	**924,988**	924,313
Saudi Internet Company Limited	Shareholder	**213,216**	212,710
Bithar Communications & Information Technology Company Limited	Shareholder	**265,716**	265,210
Atheeb Maintenance and Services Company Limited	Shareholder	**265,716**	265.210
Al Nahla Trading and Contracting Company Limited	Shareholder	**172,280**	170,705
		31,606,034	30,463.525

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

i. Fair values

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities were reasonably equal to their fair values.

ii. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk Management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk Management framework (continued)

The audit committee ensures and reviews management's compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

The Company manages exposure to credit risk, which 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 exposures arise principally from the Company's receivables, certain current assets and balances with banks.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 March 2021	31 March 2020
Trade receivables *(note 9)*	**187,749,978**	212,396,537
Prepayments and other current assets *(note 10)*	**35,270,978**	131,461,761
Cash and cash equivalents *(note 11)*	**71,112,667**	122,530,311
	294,133,623	466,388,609

31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

ii. Financial risk management (continued)

Trade receivables:
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analysed individually for its creditworthiness. Credit limits are established for each customer, which represent the maximum open amount without requiring the approval from the management; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

Cash and cash equivalents:
The Company's bank balances are placed with reputable local banks having sound credit ratings. The Company believes that it would be able to realise its balances from these banks without any loss to the Company.

Geographical concentration of risks of financial assets with credit risk exposure:
The Company's operations are principally in the Kingdom of Saudi Arabia and hence significant exposures are within the Kingdom with the exception of its voice interconnect receivables which are geographically spread in various countries. However, the Company's management believes that interconnect receivables are not impaired as the Company regularly transacts business with these parties.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, contingencies and commitments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

The Company's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Company's reputation. The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Company monitors the actual cash flows and seeks to match the maturity dates of its financial assets and its financial liabilities. The Company seeks to continuously comply with its legal obligations, including obligations related to its key suppliers.

As at 31 March 2021, the Company's current liabilities exceed its current assets by SAR 146.3 million (31 March 2020: SAR 621.6 million).

Analysis of financial liabilities by remaining contractual maturities
The Company has 2 major payables representing 68% of total accounts payable as at 31 March 2021. The rest of the balances do not have significant concentration risk, with exposure spread over large number of counterparties.

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31. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

ii. Financial risk management (continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2021 based on contractual cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

2021	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*No fixed Maturity*	*Total*
Accounts payable	**156,167,714**	-		-	**156,167,714**
Long term accounts payable	-	-	**211,583,356**	-	**211,583,356**
Accrued expenses and other current liabilities	**116,144,019**	-		-	**116,144,019**
	272,311,733	-	**211,583,356**	-	**483,895,089**

2020	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*No fixed Maturity*	*Total*
Murabaha Financing	7,767,084	-		-	7,767,084
Accounts payable	805,934,288	-		-	805,934,288
Long term accounts payable	-	-	143,946,006	-	143,946,006
Accrued expenses and other current liabilities	131,816,320	-		-	131,816,320
	945,517,692	-	143,946,006	-	1,089,463,698

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and commission rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- ***Currency risk***
  Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Arabian Riyals and US Dollars. The foreign currency risk with respect to the US Dollars is limited as the Saudi Arabian Riyal is pegged to the US Dollar.

- ***Commission rate risk***
  Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company is subject to commission rate risk on its commission bearing liability, including loans and borrowings. The Company manages its commission rate risk by maintaining floating rate term loans at an acceptable level.

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32. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management periodically monitors the growth of business, asset quality risks and return on capital as well as the level of dividends to shareholders.

The Board of Directors seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company monitors capital using a ratio of net debt to equity. For this purpose, net debt is defined as total liabilities less cash and cash equivalents.

The Company's net debt to equity ratio at the end of the year are as follows:

	31 March 2021	31 March 2020
Total liabilities	**923,405,935**	1,502,167,632
Less: Cash and cash equivalents	**(71,112,667)**	(122,530,311)
Net debt	**852,293,268**	1,379,637,321
Total equity	**111,739,360**	150,741,848
Net debt to equity ratio	**7,63**	9.15

33. SUBSEQUENT EVENTS

In the opinion of the management there have been no significant subsequent events since the year-end that require adjustment in these financial statements.

34. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 19 Dhul Qi'dah 1442H (Corresponding to June 29, 2021).