

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
And Review Report
For the three month period ended
30 June 2020



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

ETHHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
And Review Report
For the three month period ended
30 June 2020

Index	Page
Report on Review of Condensed Interim Financial Statements	1-2
Condensed Interim Statement of Financial Position	3
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Interim Statement of Changes in equity	5
Condensed Interim Statement of Cash Flow	6
Notes to the Condensed Interim Financial Statements	7-19

**REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **ETIHAD ATHEEB TELECOMMUNICATION COMPANY** (the "Company") as at 30 June 2020, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", that is endorsed in the Kingdom of Saudi Arabia. However, because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were not able to express a review conclusion on these condensed interim financial statements.

Basis for Disclaimer of Conclusion

The Company's condensed interim financial statements as at and for the period ended 30 June 2020 have been prepared on a going concern basis of accounting. However, we were unable to conclude whether the use of the going concern assumption basis of accounting to prepare these condensed interim financial statements is appropriate, due to the following factors:

- (a) As disclosed in Note 2 of the condensed interim financial statements, the Company's current liabilities exceed its current assets by SAR 628 million as at 30 June 2020, and for the period then ended, the Company incurred a net loss of SAR 12.27 million.
- (b) The Company's condensed interim statement of financial position includes non-financial assets amounting to SAR 1,169.47 million as at 30 June 2020. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 30 June 2020 and hence no impairment loss has been recognized. Management's impairment assessment is highly dependent on a number of subjective judgements and assumptions about future business performance. Certain assumptions made by management in the impairment review are key judgements, including deferral of payments to key suppliers, cash flows, overall long-term growth rates and discount rate. The impairment review includes the assumption that the Company will acquire ongoing financial and technical support from its key suppliers to implement the business plan.

However, as of the date of approval of the condensed interim financial statements, we were unable to obtain sufficient appropriate audit evidence including binding signed agreement with the key suppliers, confirming their continued financial and technical support, including acceptance of deferment of payments. Moreover, the business plan is highly sensitive to changes in assumptions and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.

Audit, Tax & consultants

Salman B. AlSudairy
License No. 283

Musad A. AL Shaikh
License No. 653

Abdullah M. AlAzem
License No. 335

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

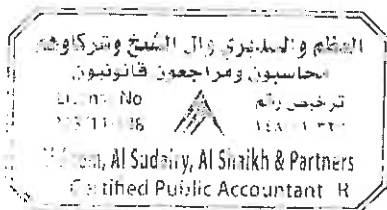
Basis for Disclaimer of Conclusion (continued)

- (c) The Company has an overdue balance owed to its key supplier amounting to SAR 681.49 million as at 30 June 2020. The Company has contacted the key supplier with the intention of entering into an agreement to restructure the repayments of the amounts owed to them. The discussions with the key supplier are still ongoing.

The condensed interim financial statements have been prepared using the going concern assumption basis of accounting as the Board of Directors are of the view that the Company will be able to successfully complete the restructuring of the repayment terms of the key supplier as discussed in Note 2 of the condensed interim financial statements. However, we are unable to conclude whether the use of going concern assumption basis of accounting to prepare these condensed interim financial statements is appropriate as the outcome of the restructuring has yet to be satisfactorily concluded at the date of these condensed interim financial statements and is inherently uncertain. If the going concern basis of accounting is not appropriate and the condensed interim financial statements were presented on a realization basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the condensed interim statements of financial position. If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of the business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of the business and at amounts which could differ significantly from the amounts at which they are currently recorded in the condensed interim statement of financial position. In addition, the Company may have to reclassify its non-current assets and non-current liabilities as current. No such adjustments have been made to these condensed interim financial statements.

Disclaimer of Conclusion

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report and their possible cumulative effect on the condensed interim financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of a review conclusion on the accompanying condensed interim financial statements of **Etihad Atheeb Telecommunication Company** for the period ended 30 June 2020.



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




Salman B. Al Sudairy
License No. 283

Muharram 4, 1442 H (August 23, 2020)
Riyadh, Kingdom of Saudi Arabia

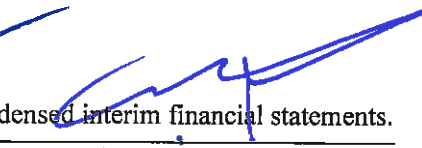
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Saudi Arabian Riyals)

	Note	30 June 2020 Unaudited	31 March 2020 Audited
ASSETS			
Non-current assets			
Property and equipment	4	217,568,872	221,878,420
Intangibles	5	688,334,572	701,015,742
Right of use assets	6	263,570,664	260,274,226
Total non-current assets		1,169,474,108	1,183,168,388
Current assets			
Inventories		5,603,573	3,352,483
Trade receivables	7	208,955,586	212,396,537
Prepayments and other current assets		124,460,421	131,461,761
Cash and cash equivalents	8	121,208,036	122,530,311
Total current assets		460,227,616	469,741,092
TOTAL ASSETS		1,629,701,724	1,652,909,480
EQUITY AND LIABILITIES			
Equity			
Share capital	1	228,529,000	228,529,000
Accumulated losses		(90,054,374)	(77,787,152)
Total equity		138,474,626	150,741,848
Liabilities			
Non-current liabilities			
Long term accounts payable	11	132,801,657	143,946,006
Lease Liabilities	12	258,899,660	256,450,416
Defined benefit obligation – employees' benefit		8,171,560	8,310,000
Decommissioning provisions		3,123,818	3,094,644
Total non-current liabilities		402,996,695	411,801,066
Current liabilities			
Murabaha financing – current portion	10	–	7,767,084
Accounts payable – short term		817,436,470	805,934,288
Accrued expenses and other current liabilities		121,491,143	131,816,320
Lease Liabilities – current portion	12	111,696,471	106,745,471
Deferred income		34,907,361	35,404,445
Provision for zakat and tax	18	2,698,958	2,698,958
Total current liabilities		1,088,230,403	1,090,366,566
Total liabilities		1,491,227,098	1,502,167,632
TOTAL EQUITY AND LIABILITIES		1,629,701,724	1,652,909,480

The accompanying notes (1) through (21) form an integral part of these condensed interim financial statements.


Fahad Al Bawardi
Acting Chief Executive Officer


Fahad Al-Sanee
Vice Chairman



Mahmoud Al Abdullah
Acting Chief Financial Officer




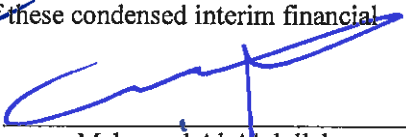
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
For the three period ended 30 June 2020
(Saudi Arabian Riyals)

	Note	For the three month period ended	
		30 June 2020 Unaudited	30 June 2019 Unaudited
Revenue		73,028,019	97,097,511
Cost of services		<u>(33,158,213)</u>	<u>(57,418,863)</u>
Gross profit		39,869,806	39,678,648
Selling and marketing expenses		(7,626,322)	(9,755,047)
Depreciation and amortization	4,5,6	(25,676,327)	(30,897,735)
Impairment loss on trade receivables		(2,497,008)	(7,294,722)
General and administrative expenses		(12,735,743)	(17,677,443)
Other income	13	—	31,964
Operating loss		(8,665,594)	(25,914,335)
Finance costs		<u>(3,601,628)</u>	<u>(5,947,183)</u>
Loss for the period		(12,267,222)	(31,861,518)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement of defined benefit obligation		—	—
Total comprehensive loss for the period		<u>(12,267,222)</u>	<u>(31,861,518)</u>
Loss per share – basic and diluted	14	<u>(0.54)</u>	<u>(1.39)</u>

The accompanying notes (1) through (21) form an integral part of these condensed interim financial statements.


Fahad Al Bawardi
Acting Chief Executive Officer


Fahad Al-Sanea
Vice Chairman

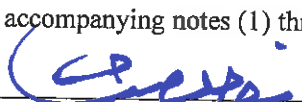

Mahmoud Al Abdullah
Acting Chief Financial Officer

Bilal

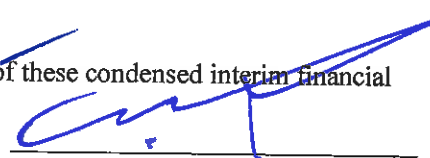
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three month period ended 30 June 2020
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance at 01 April 2019 (Audited)	472,500,000	(250,262,112)	222,237,888
Loss for the period	--	(31,861,518)	(31,861,518)
Other comprehensive income	--	--	--
Total comprehensive loss for the period	--	(31,861,518)	(31,861,518)
Reduction of share capital to absorb losses	(121,971,000)	121,971,000	--
Balance at 30 June 2019 (Unaudited)	<u>350,529,000</u>	<u>(160,152,630)</u>	<u>190,376,370</u>
Balance at 01 April 2020 (Audited)	228,529,000	(77,787,152)	150,741,848
Loss for the period	--	(12,267,222)	(12,267,222)
Other comprehensive income	--	--	--
Total comprehensive loss for the period	--	(12,267,222)	(12,267,222)
Balance at 30 June 2020 (Unaudited)	<u>228,529,000</u>	<u>(90,054,374)</u>	<u>138,474,626</u>

The accompanying notes (1) through (21) form an integral part of these condensed interim financial statements.


Fahad Al Bawardi
Acting Chief Executive Officer


Fahad Al-Sanea
Vice Chairman



Mahmoud Al Abdullah
Acting Chief Financial Officer

B.K.


ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the three month period ended 30 June 2020
(Saudi Arabian Riyals)

	Note	For the three month period ended	
		30 June 2020 Unaudited	30 June 2019 Unaudited
Cash flows from operating activities			
Loss for the period		(12,267,222)	(31,861,518)
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization	4,5,6	25,676,327	30,897,735
Impairment loss on trade receivables	7	2,497,008	7,294,722
Finance costs		3,601,628	3,965,951
Provision for employees' end of service benefits		254,251	331,806
		<u>19,761,992</u>	<u>10,628,696</u>
<i>Changes in working capital</i>			
Inventories		(2,251,090)	(200,100)
Trade receivables		943,943	(27,216,648)
Prepayments and other current assets		(8,940,889)	(38,438,209)
Accounts payable		7,472,302	69,030,119
Accrued expenses and other current liabilities		(5,382,489)	8,817,914
Deferred income		(497,084)	(3,370,840)
		<u>11,106,685</u>	<u>19,250,932</u>
Finance costs paid		(147,654)	(458,255)
Employees' end of service benefits paid		(472,188)	(637,827)
Net cash generated from operating activities		<u>10,486,843</u>	<u>18,154,850</u>
Cash flows from investing activities			
Addition to property and equipment		(173,184)	--
Net cash used in investing activities		<u>(173,184)</u>	<u>--</u>
Cash flows from financing activities			
Repayment of murabaha financing		(7,767,084)	(7,767,053)
Payment of leased liabilities		(3,868,850)	--
Net cash used in financing activities		<u>(11,635,934)</u>	<u>(7,767,053)</u>
Net increase in cash and cash equivalents		<u>(1,322,275)</u>	<u>10,387,797</u>
Cash and cash equivalents at the beginning of the period		<u>122,530,311</u>	<u>97,574,234</u>
Cash and cash equivalents at the end of the period		<u>121,208,036</u>	<u>107,962,031</u>
Supplementary information for non-cash transaction			
Addition to right of use assets		11,808,863	--
Impact of adoption of IFRS 16		--	298,234,404

The accompanying notes (1) through (21) form an integral part of these condensed interim financial statements.


Fahad Al Bawardi
Acting Chief Executive Officer


Fahad Al-Sanee
Vice Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

1. ORGANIZATION AND ACTIVITIES

General information

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

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034). On 30 Rabi'I 1438H (corresponding to 29 December 2016), the Communications and Information Technology Commission (CITC) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 5.1).

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

As at 30 June 2020, 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) On 2 August 2017, the Company announced that it has received a letter from CITC, dated 1 August 2017, stating that the Board of Directors of CITC, in their meeting held on 23 July 2017, has accorded first approval for the grant of the Unified License to the Company and has referred the matter to the Council of Ministers for their final approval. However, the Company has received another letter from CITC, dated 21 May 2018, stating that the Company's application for the Unified License has been rejected.
- c) In June 2017, the Company won frequency spectrum, in the 700 MHz and 1800 MHz bands, in the auction organized and supervised by CITC and would be eligible for these frequencies once regulatory requirements are met. These frequencies would be required by the Company to enhance its telecommunication network once it obtains the Unified License. The total consideration payable for these frequencies was SAR 2,065 million of which 30% (equivalent to SAR 619 million) was required to be paid upfront and the remaining amount was payable in 10 equal quarterly installments. The Company intended to finance the acquisition through facilities.

In October 2017, the Company received notification from CITC stating that CITC has cancelled the abovementioned frequencies awarded to the Company due to non-payment of the first installment by the Company. Moreover, in February 2018, CITC also encashed a performance bond of SAR 50 million earlier issued by the Company in favor of CITC at the time of participating in the auction.

The Company filed an appeal against CITC with the Court for returning the full amount of the performance bond encashed by CITC. On 30 June 2019 the appeal were rejected by the Court. The Company has also filed a case against CITC for the withdrawal of frequencies won by the Company in the auction held by CITC. The case is pending for hearing in the Court.

- d) 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. Notwithstanding these challenges, the Company's business operations currently remain largely unaffected as they mainly provide online services and their major sales have been conducted through website. Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the reported financial results for the period ended 30 June 2020. However, the management will continue to monitor the situation closely.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

2. BASIS OF PREPARATION

a) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 March 2020 ("last annual financial statements"). These condensed interim financial statements do not include all of the information required for a complete set of financial statements. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance since the last annual financial statements.

b) *Basis of measurement*

These condensed interim financial statements have been prepared on the historical cost basis except for the defined benefit obligation is recognized at the present value of future obligations using Project Unit Credit Method.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations.

As at 30 June 2020, the Company's current liabilities exceeds its current assets by SAR 628 million (31 March 2020: SAR 620.62 million). Moreover, the Company has accumulated losses amounting to SAR 90.05 million as of 30 June 2020, which approximate 39.41% of the Company's share capital and the Company incurred a net loss of SAR 12.27 million for the period than ended.

The Company's management believes that the Company's business will improve and that it will be able to meet its obligations as and when they become due. The Company's current cash flow forecasts are critically dependent upon the continued deferral of payments and ongoing support by its key suppliers and accordingly the Company manages repayment terms with its key suppliers. Based on the level of support that continues to be provided by the key suppliers of the Company, the Company does not currently anticipate the key suppliers and creditors to demand repayment from the Company. The Company is in negotiation with one of its key supplier to reschedule payment terms.

Further, 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.

Regarding the circumstances outlined above, the directors have concluded that there is a reasonable expectation that the Company can continue to pay its operational debts as they fall due for the foreseeable future (taking into account the expectations of the Company in relation to the ongoing discussions with key suppliers). Accordingly, they continue to adopt the going concern basis in preparing the condensed interim financial statements. The condensed interim financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

2. BASIS OF PREPARATION (CONTINUED)

c) Functional and presentation currency

These condensed interim 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.

d) Use of estimates and judgments

In preparing these condensed interim financial statements management has made 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 significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2020, except new standards, amendment to standards and interpretations as described below:

New standards, amendments to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards as follows:

- Amendments to standards which are effective from 1 April 2020 and has been explained in the Company's annual financial statements, but they do not have a material effect on the Company's condensed interim financial statements.
- Amendments to IFRS 16 – COVID-19 "Related Rent Concessions" which are effective for the periods beginning on or after 1 June 2020. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. There is no material impact on the Company's condensed interim financial statements

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

4. PROPERTY AND EQUIPMENT

	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
Cost:						
Balance at 01 April 2019	3,670,619	1,060,764,922	2,663,250	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	1,063,497,552	2,663,250	32,752,811	4,629,519	1,107,213,751
Additions during the period	--	173,184	--	--	--	173,184
Balance at 30 June 2020	3,670,619	1,063,670,736	2,663,250	32,752,811	4,629,519	1,107,386,935
Accumulated depreciation:						
Balance at 01 April 2019	3,670,619	833,233,293	902,288	28,892,035	--	866,698,235
Charge for the year	--	18,007,091	46,869	589,578	--	18,643,538
Eliminated on disposals	--	--	--	(6,442)	--	(6,442)
Balance at 31 March 2020	3,670,619	851,240,384	949,157	29,475,171	--	885,335,331
Charge for the period	--	4,320,882	43,454	118,396	--	4,482,732
Balance at 30 June 2020	3,670,619	855,561,266	992,611	29,593,567	--	889,818,063
Net book value:						
At 30 June 2020	--	208,109,470	1,670,639	3,159,244	4,629,519	217,568,872
At 31 March 2020	--	212,257,168	1,714,093	3,277,640	4,629,519	221,878,420

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

4. PROPERTY AND EQUIPMENT (continued)

4.1 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 2020. 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 higher than the carrying value. Accordingly no impairment loss was recognized.

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 five 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 five years.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

5. INTANGIBLES

	<u>License</u>	<u>Network capacity (note 5.2)</u>	<u>Software</u>	<u>Total</u>
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
Additions during the period	--	--	--	--
Balance at 30 June 2020	527,904,000	580,929,926	52,164,807	1,160,998,733
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 period	2,830,001	9,826,913	24,256	12,681,170
Balance at 30 June 2020	202,453,913	218,190,982	52,019,266	472,664,161
Net book value:				
At 30 June 2020	<u>325,450,087</u>	<u>362,738,944</u>	<u>145,541</u>	<u>688,334,572</u>
At 31 March 2020	<u>328,280,088</u>	<u>372,565,857</u>	<u>169,797</u>	<u>701,015,742</u>

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

5.2 These represent various Infeasible Rights of Use ("IRU") agreements signed with telecom operators in the Kingdom of Saudi Arabia. This also includes an IRU agreement with Saudi Telecom Company (STC), whereby STC granted the Company an IRU for 15 years for thirty thousand ports on its fiber optics network (i.e. Fiber-To-The-Home ("FTTH")). The IRU agreement allows both parties to agree upon increasing the ports to reach one hundred thousand ports.

ETHEAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

6. RIGHT OF USE ASSETS

	<u>Tower Sites</u>	<u>Telecommunication Towers</u>	<u>Warehouses</u>	<u>Total</u>
Cost:				
Balance at 1 April 2019	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 31 March 2020	308,901,400	848,222	997,977	310,747,599
Additions during the period	11,808,863	-	-	11,808,863
Balance at 30 June 2020	320,710,263	848,222	997,977	322,556,462
Accumulated depreciation:				
Balance at 1 April 2019	-	-	-	-
Charge for the year	49,850,223	175,416	447,734	50,473,373
Balance at 31 March 2020	49,850,223	175,416	447,734	50,473,373
Charge for the period	8,351,625	43,854	117,546	8,512,425
Balance at 30 June 2020	58,201,248	219,270	565,280	58,985,798
Net book value:				
At 30 June 2020	262,509,015	628,952	432,697	263,570,664
At 31 March 2020	259,051,177	672,806	550,243	260,274,226

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

7. TRADE RECEIVABLES

	Note	<u>30 June 2020</u>	<u>31 March 2020</u>
Trade receivables	7.1	297,176,267	298,120,210
Allowance for impairment	7.2	<u>(88,220,681)</u>	<u>(85,723,673)</u>
		<u>208,955,586</u>	<u>212,396,537</u>

7.1 Trade receivables include an amount of SAR 46,784,828 (31 March 2020: SAR 44,725,551) due from related parties. (Note 17)

7.2 Movement in Impairment loss is as follows:

	<u>For the period ended 30 June 2020</u>	<u>For the year ended 31 March 2020</u>
Balance at beginning of the period / year	85,723,673	65,313,304
Charge for the period / year	<u>2,497,008</u>	<u>20,410,369</u>
Balance at end of the period / year	<u>88,220,681</u>	<u>85,723,673</u>

8. CASH AND CASH EQUIVALENTS

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

9. STATUTORY RESERVE

In accordance with the Company's By-Laws, 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.

10. 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. During the period Company had repaid the last outstanding installment in April 2020.

	<u>30 June 2020</u>	<u>31 March 2020</u>
Current portion	--	7,767,084
	--	<u>7,767,084</u>

ETHHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

11. LONG TERM ACCOUNTS PAYABLE

This represents payable to STC in respect of LTE payment agreement.

The movement in total accounts payable (current and non-current) pertaining to LTE is as follows:

	Note	30 June 2020	31 March 2020
Balance at the beginning of the period / year		182,468,877	--
Reschedule during the period / year	11.1	--	215,060,346
Additions during the period / year		4,136,477	11,159,514
Payments during the period / year		--	(43,750,983)
Balance at the end of the period / year		186,605,354	182,468,877

Non-current portion of the total accounts payable

	30 June 2020	31 March 2020
Non-current portion -- LTE	132,801,657	143,946,006
Balance at the end of the period / year	132,801,657	143,946,006

- 11.1 The Company managed to rescheduled its "LTE Service" payments from STC. In result of the modification of the repayment terms, Company is facilitated to pay its previous payable after one year but no fixed repayment period has been defined in the contract. However, Company will pay 80% of the invoice amount of new purchases of LTE sims pertaining to previous payable along with new payments immediately done during the defined credit period until all the old balance is paid off.

12. 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:

	For the period ended 30 June 2020	For the year ended 31 March 2020
Liability		
Balance at the beginning of the period / year	363,195,887	--
Impact of adoption of IFRS 16	--	347,402,809
Addition during the period / year	11,808,863	21,621,998
Cancellation for the period / year	--	(9,108,803)
Finance cost	2,916,231	13,426,538
Adjustment during the period / year	(3,456,000)	--
Paid during the period / year	(3,868,850)	(10,146,655)
Lease liability at the end of the period / year	370,596,131	363,195,887

Lease liability maturity is as follows:

Less than one year	111,696,471	106,745,471
More than one years	258,899,660	256,450,416

Expenses relating to short-term and low-value leases for the period are SAR 22.6 million, Nil (March 2020: SAR 97.09 million, Nil) respectively.

ETHIAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

13. OTHER INCOME

	For the three months period ended	
	30 June 2020	30 June 2019
Miscellaneous income	--	31,964
	--	31,964

14. LOSS PER SHARE – BASIC AND DILUTED

	For the three months period ended	
	30 June 2020	30 June 2019
Net (loss) / for the period	(12,267,222)	(31,861,518)
Weighted average number of shares for the period	22,852,900	22,852,900
(Loss) / per share - basic and diluted	(0.54)	(1.39)

- 14.1 Loss / earnings per share is computed by dividing the loss / earnings attributable to the ordinary shareholders of the Company for the period ended 30 June 2020 and 30 June 2019, by the weighted average number of shares outstanding during the period.

15. CONTINGENCIES AND COMMITMENTS

a) *Contingencies*

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.

b) *Commitments*

The Company has commitments resulting from major agreements which were entered into and not yet executed at the reporting date amounting approximately to SAR 53.9 million pertaining to the various vendors.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

16. 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.

	As at 30 June 2020			
	Voice	Data	Unallocated	Total
Segment assets				
Property and equipment	5,681,118	211,887,754	--	217,568,872
Intangibles	17,973,666	670,360,906	--	688,334,572
Right of use assets	6,882,309	256,688,355	--	263,570,664

	For the three months period ended 30 June 2020			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue, net	19,352,462	53,675,557	--	73,028,019
Cost of services	(18,486,361)	(14,671,852)	--	(33,158,213)
Selling and marketing expenses	--	--	(7,626,322)	(7,626,322)
Depreciation and amortization	(670,456)	(25,005,871)	--	(25,676,327)
Allowance for impairment in trade receivables	--	--	(2,497,008)	(2,497,008)
General and administrative expenses	--	--	(12,735,743)	(12,735,743)
Finance cost	--	--	(3,601,628)	(3,601,628)

	As at 31 March 2020			
	Voice	Data	Unallocated	Total
Segment assets				
Property and equipment	5,793,649	216,084,771	--	221,878,420
Intangibles	18,304,794	682,710,948	--	701,015,742
	6,796,233	253,477,993	--	260,274,226

	For the three months period ended 30 June 2019			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue, net	5,813,009	91,284,502	--	97,097,511
Cost of services	(2,290,514)	(55,128,349)	--	(57,418,863)
Selling and marketing expenses	--	--	(9,755,047)	(9,755,047)
Depreciation and amortization	(293,532)	(30,604,203)	--	(30,897,735)
Allowance for impairment in trade receivables	--	--	(7,294,722)	(7,294,722)
General and administrative expenses	--	--	(17,677,443)	(17,677,443)
Other income	--	--	31,964	31,964
Finance cost	--	--	(5,947,183)	(5,947,183)

The CODM monitors its current assets and all liabilities on an integrated basis. In addition, all of the Company's services are principally provided in Saudi Arabia.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

17. 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:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<u>For the three months period ended</u>	
			<u>30 June 2020</u>	<u>30 June 2019</u>
Bahrain Telecommunication Company	Shareholder	Data revenue	1,125,351	1,686,084
		Interconnection revenue	756,328	504,688
		Interconnection cost	227,598	277,127
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	172,810	247,497
Bithar Trading Company Limited	Shareholder	Data revenue	61,082	55,440
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	46,029	57,537
Atheeb Maintenance and Services	Shareholder	Data revenue	20,160	20,160
Etihad Shams Company Limited	Affiliate	Data revenue	7,715	361
Founding shareholders	Shareholder	Guarantee fee	7,312	35,529

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

<u><i>Due from related parties</i></u>	<u><i>Relationship</i></u>	<u>30 June 2020</u>	<u>31 March 2020</u>
Bahrain Telecommunications Company	Shareholder	42,050,316	40,168,637
Bithar Trading Company Limited	Shareholder	519,310	458,229
Saudi Arabian Marketing and Agencies Limited	Affiliate	4,039,364	3,866,554
Atheeb Saudi Intergraph Company Limited	Shareholder	71,324	148,391
Atheeb Maintenance and Services	Shareholder	100,748	80,588
Etihad Shams Company Limited	Affiliate	3,766	3,152
		<u>46,784,828</u>	<u>44,725,551</u>

<u><i>Due to related parties</i></u>	<u><i>Relationship</i></u>	<u>30 June 2020</u>	<u>31 March 2020</u>
Bahrain Telecommunications Company	Shareholder	28,803,138	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	170,765
		<u>30,698,435</u>	<u>30,463,525</u>

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three month period ended 30 June 2020

18. PROVISION FOR ZAKAT AND TAX

18.1 Movement in Zakat provision

The movement in Zakat provision is as follows:

	<u>30 June 2020</u>	<u>31 March 2020</u>
Balance at the beginning of the period / year	2,698,958	2,698,958
Charge during the period / year	--	--
Balance at the end of the period / year	<u>2,698,958</u>	<u>2,698,958</u>

18.2 Zakat and tax status

The Company has filed its Zakat and tax return with the General Authority of Zakat and Tax ("GAZT") for the years up to 31 March 2019.

In July 2015, the GAZT raised zakat and withholding tax (WHT) assessment for the years 2010 to 2012 amounting to SAR 17.43 million and SAR 0.83 million respectively. The Company filed an appeal with the GAZT against the assessments in August 2015. In response to appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued ruling in October 2016 based on which the Company's zakat liability was reduced to SR 6.98 million while the WHT liability remained the same at SAR 0.83 million. The Company was also liable to pay fine of SAR 0.6 million as per the PAC ruling, on making delay in the payment of WHT.

In December 2016, the Company filed an appeal to the Higher Appeal Committee (HAC) against the PAC ruling in relation to zakat and imposition of delay fine on WHT. However, the Company has settled the WHT liability of SAR 0.83 million with the GAZT. The management and the tax advisors are of the view that the appeal will be settled in favor of the Company. Accordingly, no provision is recognized in the financial statements.

The zakat and tax returns filed by the Company for the years 2013 to 2019 are still under review by the GAZT.

19. FINANCIAL INSTRUMENTS – 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.

20. SUBSEQUENT EVENT

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

21. APPROVAL OF THE CONDENSED INTEREIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Board of Directors on Muharram 4, 1442H (Corresponding to August 23, 2020).