



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
**(A Saudi Joint Stock Company)**

Financial Statements  
For The Year Ended March 31, 2023  
Together with Independent Auditor's Report

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
**(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS**  
**For The Year Ended March 31, 2023**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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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**

#### **Opinion**

We have audited the financial statements of **Etihad Atheeb Telecommunication Company (the "Company")**, which comprise the statement of financial position as of March 31, 2023, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, 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 Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements section" of our report. We are independent of the Company in accordance with the 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 opinion.

**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.

<b>Revenue Recognition</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Company's revenue consists of fixed telecommunication services represented primarily of data and internet revenue, interconnection revenue, enterprise solutions revenue, voice revenue, and installation revenue totaling to SR 630.3 million for the year ended March 31, 2023.</p> <p>We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgements and estimates. Additionally, there are inherent risks about the occurrence, accuracy, and completeness of revenues recorded due to the complexity associated with the network environment, dependency on IT applications, large volumes of data, as well as the materiality of the amounts involved.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Assessing the Company's revenue recognition policies, for compliance with IFRSs as endorsed by SOCPA.</li> <li>• 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.</li> <li>• Assessing the design, implementation and operating effectiveness of the manual controls over occurrence, accuracy, and completeness of revenue recognition.</li> <li>• Performing tests on the accuracy of customer invoice generation, on a sample basis.</li> <li>• Performing analytical reviews of significant revenue streams.</li> <li>• Assessing the adequacy of the relevant disclosures in the financial statements.</li> </ul>
Refer to note (4.12) for the accounting policy and note (22) for related disclosures.	

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

**Key Audit Matters (Continued)**

<b>Provision for impairment of trade receivables and contract assets</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As of March 31, 2023, the Company's gross trade receivables and contract assets amounted to SR 308.7 and SR 13.2 million respectively, against which a provision for impairment of SR 107.3 million and SR 44.2 thousand is maintained on trade receivables and contract assets respectively.</p> <p>The Company followed the expected credit loss model as required by IFRS 9 "Financial Instruments" to calculate the provision for impairment in the value of trade receivables and contract assets. During the year, the Company rebuilt the ECL model by using the provision matrix based on credit loss rates instead of using the probability of default as a practical expedient as permitted in IFRS 9. The Company calibrates the matrix to adjust the historical experience of credit losses taking into account the forward-looking information of the forecasted economic conditions.</p> <p>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.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design, implementation, and operating effectiveness of the key controls over the recording of trade receivables and settlements, and trade receivables aging reports.</li> <li>• Checking the completeness and accuracy of the aging reports for trade receivables and contract assets.</li> <li>• Involving our expert to ensure the suitability of the model used by management and its compatibility with the requirements of IFRS 9 and the reasonableness of the significant assumptions used, including credit loss rates and those related to future economic events.</li> <li>• Tested the mathematical accuracy of the ECL model.</li> <li>• Assessing the adequacy of the relevant disclosures in the financial statements.</li> </ul>
Refer to notes (4.5) for the accounting policy and note (11 & 12) for related disclosures.	

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

**Key Audit Matters (Continued)**

<b>Impairment of non-financial assets</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>As at March 31, 2023, the Company's financial position included non-financial assets amounting to SR 548.7 million.</p> <p>At each reporting date, the Company's management assesses whether there is any indication that non-financial assets may be impaired. If any indication exists, an assessment of the recoverable amounts for the non-financial assets is performed. The management has carried out an exercise to determine the recoverable amount of Cash Generating Units ("CGU").</p> <p>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.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the management's process in identifying impairment indicators for non-financial assets.</li> <li>• Evaluating 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 some of these assumptions against external benchmarks and knowledge of the Company and its industry.</li> <li>• Validating the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets.</li> <li>• Assessing the adequacy of the relevant disclosures in the financial statements.</li> </ul>
Refer to notes (4.4) for the accounting policy and note (9) for related disclosures.	

**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.

**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)**

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

We communicate with 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, which are considered 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.



**Al Azem, Al Sudairy, Al Shaikh & Partners**  
**For Professional Consulting**



**Abdullah M. Al Azem**  
**License No. 335**

15 Dhul Qida 1444H (Corresponding to June 4, 2023)  
Riyadh, Kingdom of Saudi Arabia

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
As of March 31, 2023  
(Saudi Riyal)

		As of March 31,	
	Note	2023	2022
			Reclassified (Note 34)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	6	121,102,959	124,448,792
Intangible assets	7	321,451,140	344,538,031
Right of use assets	8-1	106,172,751	117,278,702
<b>Total non-current assets</b>		<b>548,726,850</b>	<b>586,265,525</b>
<b>Current assets</b>			
Inventories	10	16,607,992	8,150,838
Trade receivables	11	201,354,313	108,904,587
Contract assets	12	13,112,278	8,776,240
Other current assets	13	53,947,505	42,678,916
Cash and cash equivalents	14	53,062,659	83,256,552
<b>Total current assets</b>		<b>338,084,747</b>	<b>251,767,133</b>
<b>Total assets</b>		<b>886,811,597</b>	<b>838,032,658</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	1	89,999,000	89,999,000
Statutory reserve	15	4,246,824	-
Retained earnings (Accumulated losses)		21,829,687	(16,003,184)
<b>Total equity</b>		<b>116,075,511</b>	<b>73,995,816</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term accounts payable	16	151,905,754	185,012,918
Non-current portion of lease liabilities	8-2	91,896,604	132,503,001
Employees' defined benefit obligation	17	8,069,431	8,844,000
Decommissioning provision	18	3,463,393	3,335,815
<b>Total non-current liabilities</b>		<b>255,335,182</b>	<b>329,695,734</b>
<b>Current liabilities</b>			
Accounts payable	16	220,801,712	187,602,588
Other current liabilities	19	190,738,182	134,715,550
Current portion of lease Liabilities	8-2	56,102,468	55,644,169
Contract liabilities	20	45,653,361	38,979,558
Provision for zakat and tax	21	2,105,181	17,399,243
<b>Total current liabilities</b>		<b>515,400,904</b>	<b>434,341,108</b>
<b>Total liabilities</b>		<b>770,736,086</b>	<b>764,036,842</b>
<b>Total equity and liabilities</b>		<b>886,811,597</b>	<b>838,032,658</b>

The accompanying notes from (1) to (36) form an integral part of these financial statements.

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Baeisa  
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 March 31, 2023  
(Saudi Riyal)

	Note	For The Year Ended March 31,	
		2023	2022
Revenue	22	630,339,790	378,553,765
Cost of revenue	23	(447,651,620)	(286,710,000)
<b>Gross profit</b>		<b>182,688,170</b>	<b>91,843,765</b>
Selling and marketing expenses	24	(69,520,705)	(47,889,307)
General and administrative expenses	25	(73,913,222)	(81,215,817)
Impairment gain (loss) on trade receivables and contract assets	11,12	4,172,162	(7,585,860)
Other income, net	26	14,473,385	29,354,479
<b>Operating profit (loss)</b>		<b>57,899,790</b>	<b>(15,492,740)</b>
Finance cost, net	27	(15,431,551)	(19,122,451)
<b>Profit (loss) before zakat and income tax</b>		<b>42,468,239</b>	<b>(34,615,191)</b>
Zakat and income tax	21	-	(2,784,695)
<b>Net profit (loss) for the year</b>		<b>42,468,239</b>	<b>(37,399,886)</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement of defined benefit obligation	17	(388,544)	(343,658)
<b>Other comprehensive loss</b>		<b>(388,544)</b>	<b>(343,658)</b>
<b>Total comprehensive profit (loss) for the year</b>		<b>42,079,695</b>	<b>(37,743,544)</b>
<b>Profit (loss) per share – basic and diluted</b>	28	<b>4.72</b>	<b>(4.16)</b>

The accompanying notes from (1) to (36) form an integral part of these financial statements.

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Baecisa  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer



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**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY**

For the year ended March 31, 2023

(Saudi Riyal)

	Share capital	Statutory Reserve	Retained earnings (Accumulated losses)	Total Equity
Balance at April 1, 2021	228,529,000	-	(116,789,640)	111,739,360
Net loss for the year	-	-	(37,399,886)	(37,399,886)
Other comprehensive loss for the year	-	-	(343,658)	(343,658)
Total comprehensive loss for the year	-	-	(37,743,544)	(37,743,544)
Reduction of share capital to absorb accumulated losses	(138,530,000)	-	138,530,000	-
Balance at March 31, 2022	89,999,000	-	(16,003,184)	73,995,816

	Share capital	Statutory Reserve	Retained earnings (Accumulated losses)	Total Equity
Balance at 1 April 2022	89,999,000	-	(16,003,184)	73,995,816
Net profit for the year	-	-	42,468,239	42,468,239
Other comprehensive loss for the year	-	-	(388,544)	(388,544)
Total comprehensive profit for the year	-	-	42,079,695	42,079,695
Transferred to statutory Reserve	-	4,246,824	(4,246,824)	-
Balance at 31 March 2023	89,999,000	4,246,824	21,829,687	116,075,511

The accompanying notes from (1) to (36) form an integral part of these financial statements.

anyah Saleh Al Mansour  
Chief Executive Officer

Mahmoud A/ Abdullah  
Acting Chief Financial Officer

Dr. Eisa Baetisa  
Chairman



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended March 31, 2023  
(Saudi Riyal)

		<b>For The Year Ended March 31,</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Profit (loss) before zakat and income tax		42,468,239	(34,615,191)
<b>Adjustments:</b>			
Depreciation and amortization	6,7,8	60,908,803	67,000,554
Other non-cash income		(14,448,149)	(29,632,646)
Support fund from main supplier		-	(4,385,934)
Impairment (gain) loss on trade receivables	11,12	(4,172,162)	7,585,860
(Gain) loss of sale PPE		(25,236)	352,672
Finance cost, net		15,431,551	19,122,451
Current service cost of employees' defined benefit obligation	17	1,382,657	1,112,000
		<u>101,545,703</u>	<u>26,539,766</u>
<b>Changes in working capital:</b>			
Inventories		(17,240,148)	(710,598)
Trade receivables		(92,613,602)	62,483,289
Other current assets		(11,268,589)	(12,876,689)
Accounts payable		(8,938,254)	(11,708,333)
Other current liabilities		56,022,632	21,144,117
Contract liabilities		6,673,803	2,084,205
		<u>34,181,545</u>	<u>86,955,757</u>
Finance costs paid		(10,814,050)	(9,820,296)
Employees' defined benefit obligation paid	17	(2,827,657)	(1,278,658)
Zakat Paid	21	(15,294,062)	(12,784,410)
<b>Net cash generated from operating activities</b>		<u>5,245,776</u>	<u>63,072,393</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment	6	(3,577,640)	(18,636,997)
Additions to intangible assets	7	-	(2,528,000)
Proceeds from the sale of property and equipment		33,710	-
<b>Net cash used in investing activities</b>		<u>(3,543,930)</u>	<u>(21,164,997)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	8	(31,895,739)	(29,763,511)
<b>Net cash used in financing activities</b>		<u>(31,895,739)</u>	<u>(29,763,511)</u>
<b>(Decrease) increase in cash and cash equivalents</b>		<u>(30,193,893)</u>	<u>12,143,885</u>
Cash and cash equivalents at the beginning of the year		83,256,552	71,112,667
<b>Cash and cash equivalents at the end of the year</b>	14	<u>53,062,659</u>	<u>83,256,552</u>
<b>Non-cash transactions:</b>			
Lease liability transferred to liabilities	8-2	(22,933,701)	(48,018,765)
Reduction in accrued expenses and other current liabilities		-	(1,484,027)
Additions of leases	8-1,8-2	15,973,406	-
Disposal of right of use assets	8-1	7,274,910	139,807,996
Disposal of lease liabilities	8-2	5,502,070	101,117,678
Transferred from inventory to property and equipment		8,782,994	2,116,369

The accompanying notes (1) to (36) form an integral part of these financial statements.

Yahya Saleh Al Mansour  
Chief Executive Officer

Mahmoud Al Abdullah  
Acting Chief Financial Officer

Dr. Eisa Bacisa  
Chairman



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## ETIHAD ATHEEB TELECOMMUNICATION COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Saudi Riyal)

#### 1. ORGANIZATION AND ACTIVITIES

##### a) General information:

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 Company's financial statements include the Company's main commercial registration and the following branches:

Branch	CR number
Jeddah branch	4030197139
Khobar branch	2051050130

The registered address of the Company is 3704 King Abdullah Branch Rd – AlMughrizat district P.O. Box 12482-6488 Riyadh, Kingdom of Saudi Arabia.

##### Company license

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (February 25, 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (February 26, 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on March 31, 2034). On 30 Rabi'I 1438H (corresponding to December 29, 2016), the Communications, Space and Technology Commission (CST) (Previously: Communications and Information Technology Commission) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 7-1).

On 1 Ramadan 1440 H (corresponding to May 12, 2019), the CST issued a frequency spectrum license, whereby bands totaling 50 MHz in the 3.5 GHz frequency band were allocated to the Company to be used to provide its services in the main cities in the Kingdom, as the Company is committed to cover the populated areas in the main cities by at least 10% before the end of the year 2021, and on 27 Rabi' II 1443H (Corresponding to December 2, 2021) the Company received a final extension of the Company commitment to deploy the network under the license granted to it by the authority for the 3.5 GHz band frequencies for an additional six months to be ended on June 30, 2022.

On Shawwal 25, 1443H (corresponding to May 26, 2022), the Company received a letter from the CST notifying the Company with the CST decision to revoke the 3.5 GHz band frequencies license if the Company did not meet the deployment of network deadline on June 30, 2022.

On 1 Dhul Hijjah 1443H (corresponding to June 30, 2022), the Company finalized deploying 100% of its network phase (1) of the obligation set forth by the CST with regards to the spectrum license, which represents deploying network over 10% of the KSA. the Company submitted all related documentation to the CST which prove the Company's fulfillment of its obligation in accordance with the requirements of the CST. On 9 Safar 1444H (corresponding to September 5, 2022), the Company received a letter from the CST informing the Company that it accepted its fulfilment of phase (1) of the network deployment in accordance with the frequency spectrum license to provide fixed telecommunication services with infrastructure of 3.5GHz band frequency granted to it with some observations, which the Company committed to resolve within a maximum period at the end of the year 2022 (which is also the deadline for fulfilling the obligations of the license for phase (2) to cover at least 30% of the populated cities subject to the obligation).

On December 26, 2022, the Company completed the necessary treatments regarding the CST observations regarding the first phase of the network deployment obligations, in addition to completing its obligations towards 100% deployment of the network for the second phase regarding the license to use 3.5 GHz band frequencies, covering 30% of the cities under obligation by completing the process of installing and operating the 5G service towers. the Company submitted all related documentation to the CST which prove the Company's fulfillment of its obligation in accordance with the requirements of the CST. On 20 Rajab 1444H (corresponding to February 20, 2023), the Company received a letter from the CST informing the Company that it has accepted its fulfilment of phase (2) of the network deployment.

The Company seeks to work out a plan to meet the requirements of the third phase of the network deployment commitments to cover at least 50% of the populated areas in the cities subject to the commitment before the end of the year 2027, according to the requirements for licensing the frequency spectrum to provide fixed communications services with infrastructure for frequencies of the 3.5 GHz band granted by the CST.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2023  
(Saudi Riyal)

**1. ORGANIZATION AND ACTIVITIES (continued)**

**a) General information (continued):**

**The Company's activity**

the Company is providing 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 January 1<sup>st</sup>, 2010.

**Share Capital**

As of April 1, 2021, the authorized, issued and paid-up share capital of the Company is SAR 228.529 million divided into 22.853 million shares of SAR 10 each.

On 23 January 2022, the General Assembly in its Extraordinary meeting approved to reduce the Company's share capital by SAR 138,530,000 (from SAR 228,529,000 to SAR 89,999,000) by way of cancellation of 13,853,000 shares to extinguish the accumulated losses as the end of September 2021 amounting to SAR 138,577,873 at a rate of (99.97%).

As of March 31, 2023, the authorized, issued and paid-up share capital of the Company is SAR 89.999 million divided into 8.9999 million shares of SAR 10 each.

On December 19, 2021, the Board of Directors recommended to the Extraordinary General Assembly to increase the Company's share capital by issuing shares at a value of 350 million Saudi Riyals divided into 35 million ordinary shares at a value of 10 Saudi Riyals per share, its main objective after obtaining the required approvals from the competent authorities is to increase Capital to pay the Company's obligations and develop and modernize its business systems and networks. the Company submitted the file to the competent authorities and the final approval has not been issued until the date of these financial statements. On October 13, 2022, the Board of Directors issued a resolution by circulation amending the recommendation to increase the share capital to the Extraordinary General Assembly by issuing priority rights shares from 350,000,000 Saudi Riyals to 250,000,000 Saudi Riyals. the Company submitted the file to the competent authorities, and the approval of the share capital raising file was issued by the competent authorities on February 8, 2023. On February 15, 2023, the Company called for an extraordinary general assembly meeting on March 8, 2023 to vote on the Board of Directors recommendation to increase the Company's share capital through offering rights issue with a value of 250,000,000 Saudi Riyals, so that the share capital after the increase becomes 339,999,000 Saudi Riyals. The vote was held and the result of the vote was the disapproval of the Board of Directors recommendation to increase the Company's share capital by issuing rights issue with a value of 250,000,000 Saudi Riyals, so that the share capital after the increase becomes 339,999,000 One million Saudi Riyals.

On March 29, 2023, the Board of Directors recommended to the Extraordinary General Assembly to increase the Company's share capital by issuing priority shares at a value of 250 million Saudi Riyals divided into 25 million ordinary shares at a value of 10 Saudi Riyals per share, its main objective after obtaining the required approvals from the competent authorities is to increase share capital to pay the Company's obligations and develop and modernize its business systems and networks.

**b) Going concern:**

The statement of financial position as at March 31, 2023 shows current liabilities exceeded its current assets by SAR 177.32 million (March 31, 2022: SAR 182.57 million). 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 preparation of these 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 16.1.1).

<u>Installment No.</u>	<u>Amount (SAR)</u>	<u>Date of payment</u>	<u>Status</u>
First	49 million	July 1, 2022	Paid
Second	49 million	July 1, 2023	Not paid
Third	49 million	July 1, 2024	Not paid
Fourth	49 million	July 1, 2025	Not paid
Fifth	49 million	January 1, 2026	Not paid
<b>Total</b>	<b>245 million</b>		

- On January 25, 2022, the Company received an approval from Ministry of Finance on the installment related to CST government charges of SAR 22.23 million over 36 months of 617 thousand Saudi Riyals monthly installment starting from February 20, 2022 and amount of 8.65 million Saudi Riyals has been paid as of March 31, 2023 (Note 16.1.2).

**1. ORGANIZATION AND ACTIVITIES (continued)**

**b) Going concern (continued):**

- On March 21, 2023, Company received an approval from Ministry of Finance on the installment related to CST government charges of SAR 23.98 million over 36 months of 666 thousand Saudi Riyals monthly installment starting from April 5, 2023 (Note 16.1.3).
- On May 10, 2023, the Company received an approval of the Ministry of Finance to install the amount related to government fees due for the period extending from the beginning of dealing with the CST until the end of 2018, at a value of SR 63.88 million over a period of 7 years. The yearly installment is SR 9.13 million starting from April 1, 2025 (Note 35)
- The Company's business is improving through the conclusion of new sales agreements, which led to revenue growth and net profits for the year ending on March 31, 2023. In return, the Company concluded contracts with suppliers for periods that are consistent with the cash received into the Company, thus generating cash that enables the Company to manage liquidity and fulfill its obligations when due
- The management has also developed plans in some other aspects to improve the Company's performance, including mainly enhancing the Company's existing network infrastructure, deploying new technologies, exploring alternative uses of the Company's bandwidth, obtaining new licenses to provide new services to the customers, and targeting new customer niches from the B2B and B2C sectors, and cost optimization plans. The management has taken some initiatives emanating from this study

As described above, management has a reasonable expectation that the Company will have sufficient resources to meet its obligations as they fall due. Accordingly, these financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its liabilities for a period at least 12 months from the date of preparing these financial statements.

If for any reason the Company is not able to continue as a going concern, this may have an impact on the Company's ability to realize assets at their recognized value and settle liabilities in the ordinary course of business for 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. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS**

**3-1** The Company has adopted the following new standards and amendments for the first time starting from April 1, 2022.

**Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**3. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS (continued)**

**3-1** The Company has adopted the following new standards and amendments for the first time starting from April 1, 2022. (continued)

**Amendments to IFRS 3, IAS 16, IAS 37**

- IFRS 3 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

**Improvements to the International Financial Reporting Standards for the years 2018 to 2020.**

The annual improvements include modifications to four criteria:

- International Financial Reporting Standard No. 1 "Applying International Financial Reporting Standards for the First Time".
- International Financial Reporting Standard No. 9 "Financial Instruments".
- International Financial Reporting Standard No. 16 "Leases".
- IAS 41 "Agriculture".

The application of the above new standards, amendment to standards and interpretations does not have any material impact on these financial statements during the year.

**3-2 Standards issued but not yet effective**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after April 1, 2023 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

**Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities  
(Effective date – April 1, 2023)**

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**Amendments to IAS 1, Practice Statement 2 and IAS 8  
(Effective date – April 1, 2023)**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies

**Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**

These amendments require companies to recognized deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

**Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Financial Commitments  
(Effective date – April 1, 2024)**

The amendments are summarized in that the right to defer settlement exit at the reporting date and have substance, in addition to clarifying the classification criteria for liabilities that have financial covenants along with new disclosures, in addition to the possibility of convertible debt may become current.

**Amendments to IFRS 16 Leases - Lease Liabilities in Sale and Leaseback Transactions  
(Effective date – April 1, 2024)**

The amendments are summarized in plugging the gap in the standard related to the measurement of right-of-use assets and lease liabilities when variable lease payments arise, in addition to some amendments related to the initial and subsequent recognition related to variable lease payments for sale and leaseback transactions.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **4-1 Property and equipment**

###### **Recognition and measurement**

Items of property, and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where applicable.

###### **Subsequent costs**

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

###### **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:

	<u>Years</u>
Leasehold improvements	Lower of lease term or 10
Network infrastructure	4-25
Facilities, support and IT equipment	5

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

###### **De-recognition**

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in statement of profit or loss and other comprehensive income.

##### **4-2 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.

###### **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 defeasible 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.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2023

(Saudi Riyal)

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)****4-2 Intangible assets(continued)****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:

	<u>Years</u>
Licenses	40
Network capacity	7-15
Computer software	5

**4-3 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:

**the Company as a lessee**

the Company applies a single method for the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. the Company recognizes lease liabilities for lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets**

Leases are recognized as right-of-use assets, in addition to their corresponding liabilities, on the date that the leased assets are available for use by the Company. Lease payments are apportioned between the lease liability and the finance cost. Finance cost is recognized in the statement of profit or loss and other comprehensive income over the lease term. Right-of-use assets are depreciated on a straight-line basis over the lease term and the estimated useful lives of the assets, whichever is shorter, as follows:

	<u>Years</u>
Telecom tower locations	10
Telecom tower	4
Buildings and warehouses	5

Right-of-use assets are initially measured at cost, which consists of the following:

- The amount of the initial measurement of lease liabilities;
- Lease payments made on or before the lease start date less lease incentives received;
- Any initial direct cost; And
- The cost of restoring the site to its original condition, as the case may be.

In the event that the ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of the purchase option, then depreciation is calculated over the estimated useful life of the asset. Right-of-use assets are also subject to impairment

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**4-3 Leases (continued)**

**Lease liabilities**

At the inception of the lease, the Company includes lease liabilities measured at the present value of the lease payments over the lease term. Lease payments include fixed payments (including fixed payments in substance) less any lease incentives receivable, variable lease payments that are index or rate dependent, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Company is reasonably certain to exercise and payments of penalties for terminating the lease, if the lease term shows the Company exercising the option to terminate. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs. The lease payments are discounted using the Company's implied rate of interest, or the Company's incremental borrowing rate.

**Short-term leases and leases of low-value assets**

Short-term leases represent leases with a lease term of 12 months or less. Low value assets represent those items that do not reach the Company's capitalization limit and are considered immaterial to the Company's statement of financial position as a whole. Payments relating to short-term leases and leases of low-value assets are recognized on a straight-line basis in profit or loss.

**4-4 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.

the Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual asset is allocated. These budgets and forecast calculations are generally covering a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Company shall also test intangible assets with an indefinite useful life (including goodwill) or intangible assets not yet available for use for impairment annually by comparing their carrying amount with respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognized during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

##### **4-5 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **i) Financial assets**

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, or fair value through other comprehensive income (OCI) or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

###### **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through income statement

###### **Financial assets at amortized cost (debt instruments)**

This category is the most relevant to the Company. the Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; 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.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired. the Company's financial assets at amortized cost include cash and cash equivalents, trade, other receivables and contract assets.

###### **Financial assets at fair value through OCI (debt instruments)**

the Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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 instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit and loss and other comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de-recognition, the cumulative fair value change recognized in OCI is recycled to the statement of income. Currently the Company does not have investment in financial asset at fair value through OCI.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

##### **4-5 Financial instruments(continued)**

###### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Currently the Company have financial asset designated at fair value through OCI.

###### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

##### **De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

##### **ii) Financial liabilities**

###### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payable, lease liabilities and other liabilities.

###### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

###### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

##### **4-5 Financial instruments(continued)**

###### **Trade and other payables**

This category is relevant to the Company. After initial recognition, borrowings, trade and other payables are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss and other comprehensive income.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

###### **De-recognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

###### **Impairment of financial assets**

The Company recognizes an allowance for expected credit losses (ECLs) for trade receivables and contract assets. The ECL reflects the changes in credit risk since initial recognition of the instrument.

The Company applies the simplified approach to calculate impairment on accounts receivable and contract assets and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a credit loss rate based on the Group'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.

As a practical expedient allowed in IFRS 9, the Company, the Company reconstructed the expected credit loss model for trade receivables and contract assets by recalculating the allowance for impairment using the provision matrix and thus using the credit loss rate approach rather than the probability of default.

###### **Credit impaired financial assets**

At each reporting date, the Company assesses whether there is any impairment in financial assets measured at amortized cost. Financial assets are considered credit-impaired when one of the following events occurs that can be monitored and has a material effect on the estimated future cash flows:

- Significant financial difficulties of the client, or
- Exceeding the allowed payment due date by 720 days, or
- It becomes probable that the customer will enter bankruptcy or other financial restructuring.

The Company considers trade receivables and contract assets to have defaulted when they become credit impaired or when they have exceeded the allowed payment due date by 720 days.

##### **4-6 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.

##### **4-7 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.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

##### **4-8 Provisions**

###### **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.

###### **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.

##### **4-9 Employees' defined benefit obligation**

the Company operates employees' end of service benefits scheme.

End of service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service. the Company's net obligation in respect of defined unfunded benefit plans ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated annually for the following two years for material changes, if any. Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense / income; and
- Re-measurement gains / (losses).

the Company recognizes and presents the first two components of the defined benefit costs in the statement of income. Gains / (losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains/ (losses) are accounted for as past service cost in the profit or loss in the period of plan amendment.

the Company is also required to contribute towards a state-owned benefit plan where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

##### **4-10 Earnings per share**

Basic earnings per share is calculated by dividing:

- the income attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- by the weighted average number of ordinary shares outstanding during the financial year, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**4-11 Zakat and taxes**

the Company is subject to Zakat and income tax in accordance with the regulations of the Zakat Tax and Customs Authority (the "ZATCA"). The zakat and income tax charges are charged to profit or loss statement.

**Zakat**

the Company calculates and records the zakat provision based on the zakat base in its financial statements in accordance with Zakat rules and principles in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessment are recorded in the reporting period in which such assessment is approved by the ZATCA.

**Income tax**

The income tax provision for foreign companies is calculated in the financial statements in accordance with the tax systems in the countries in which they operate. Adjustments resulting from the final tax assessment are processed during the fiscal year in which the final assessment is issued.

The current tax is the expected tax, whether credit or debit, on the taxable profit or loss for the period using the tax brackets determined at the reporting date, in addition to any adjustments to the tax due related to previous years.

**Deferred tax**

Deferred tax is recognized for temporary differences between the book values of assets and liabilities for the purposes of preparing the financial statements and the amounts used for tax purposes. Deferred tax is measured according to the tax brackets that are expected to be applied to the temporary differences when they reverse, based on the regulations established at the reporting date.

Deferred tax assets are 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 used. Deferred tax assets are reviewed at each valuation date and reduced to the extent that the related tax benefits can no longer be utilized. the Company did not recognize any deferred tax assets or liabilities as the time differences are not material.

**Value Added Tax ("VAT")**

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**Withholding tax**

Withholding tax related to dividends, royalties, interest and service fees are recorded as liabilities.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**4-12 Revenue recognition**

The Company mainly generates revenues from providing fixed telecommunication services, which include voice, internet, data and interconnection services. The Company also generates revenues from enterprise solutions services represented mainly in cloud services, managed advisory services and data center services.

The Company recognizes revenues using a 5-step model as specified in IFRS 15. The Company recognizes revenue from contracts with customers when it transfers control over services to a customer and based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of other parties. When there is a high degree of uncertainty about the possibility of collection from certain customers, the Company does not recognize revenue only upon collection of these revenues.

The timing of revenue recognition is either at a point in time or over time depending upon the satisfaction of the performance obligation by transferring control of services to the customer. All revenue from services that is recognized over time is done using the input method to measure progress toward full acceptance of the services, because the customer simultaneously receives and consumes the benefits provided by the Company.

Revenue from data, internet, and voice services:

The Company offers services in fixed term contracts and short-term or long-term arrangements. When services include multiple performance obligations, the Company allocates transaction price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Company in similar circumstances to similar customers. Revenue is recognized when the performance obligation is satisfied or services are rendered, i.e. after actual use by the end customer. Revenue is recognized for data and the internet when control is transferred over the contract period, and for voice, revenue is recognized when control is transferred upon consumption by the customer and based on the quantity consumed.

Revenue from device sales, installation, and activation services:

The Company provides device sales, installation and activation services to the B2C sector indistinctively along with providing fixed communications services. Bundled contracts for equipment sales, installation services, and fixed communications services consist of a single performance obligation and therefore revenue is recognized over the contract period.

The Company provides installation and activation services to the B2B sector for fixed telecommunications services one time and in a distinct manner at the start of the service. Thus, revenue is recognized when control is transferred to the customer upon completion of the installation work.

Interconnection revenue:

Interconnection revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage for the billing period as per the agreed rate.

Enterprise solutions services revenue:

Revenue from enterprise solutions services is recognized when control transfers to the customer over the period of the contracts.

Determination of Transaction Price:

When contract include contractual clause covering commercial discount or free offers, the Company defers these discounts or free offers over the contract term.

In determining the transaction price, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

Variable consideration:

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the products to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**4-12 Revenue recognition(continued)**

Significant financing component:

If a customer can pay for purchased equipment or services over a period of time, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Non-cash consideration:

The fair value of non-cash consideration received from the customer on the transaction date is included in the transaction price.

Consideration payable to the customer:

Consideration payable to the customer includes cash amount that the Company pays or expect to pay to the customers and is accounted for as reduction of transaction price.

Contract balances

Contract assets:

Contract assets are the rights to consideration in exchange for products or services transferred by the Company to the customer. If the Company performs by transferring products or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract costs

Contract costs relate to incremental costs of obtaining a contract and certain costs to fulfil a contract to be recognized as an asset when:

- The costs relate directly to the contract (or to a specified anticipated contract)
- The costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

Contract costs recognized by the Company are amortized on a systematic basis that is consistent with the Company's transfer of related goods or services to the customer.

Contract liabilities:

Contract liabilities are recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related products or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e. transfers control of the related products or services to the customer).

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)**

**4-13 Cost and Expenses**

**Cost of revenue**

Represents cost of revenue incurred during the year and includes costs of services, government fees, interconnection costs and other direct and indirect expenses relating to recognized revenue. Where governmental fees represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Company against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which these fees are incurred and included under cost of revenue in the statement of profit or loss. Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of revenue caption in the statement of profit or loss.

**Selling, Marketing and General Administrative Expenses**

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.

**4-14 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.

**4-15 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.

**4-16 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.

**4-17 Offsetting**

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY  
ESTIMATES**

Preparation of the financial statements and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the statement of profit or loss and other comprehensive income and within shareholders' equity. In particular, the Company's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY**

**ESTIMATES(continued)**

The Company's management believes that its estimates in the financial statements are reasonable. Based on the following details:

**Tangible and intangible assets useful life**

Management periodically reassesses the economic useful life of property, plant and equipment, intangible assets, based on the general condition of these assets and the expectation of their useful economic lives in the future. The impairment loss is recognized in the statement of profit or loss for the year.

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.

**Zakat**

Management recognizes Zakat and required Zakat provision for the year based on management's estimate for taxable profit in accordance with the prevailing laws, regulations and IFRSs.

**Litigation provision**

A provision is made to meet any potential legal liabilities based on a legal study prepared by the Company's legal counsel. This study identifies potential future risks and is reviewed periodically.

**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.

**Assets and liabilities at cost**

Management periodically reviews assets and liabilities to assess and evaluate impairment, and any loss incurred is recognized within the statement of profit or loss for the year.

**Impairment losses on trade receivables and contract assets**

The Company uses a provision matrix based on credit loss rates to calculate expected credit loss on accounts receivable and contract assets. The loss 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 credit loss data and past due receivables. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the Company updates its historical loss rates and reflects that in future estimates, taking into account also changes in forecast of economic conditions.

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

**Fair value measurement**

If the fair values of financial assets and financial liabilities included in the statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the entered data for those models will be extracted from the market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities.

Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY**  
**ESTIMATES(continued)**

**Leases**

Some leases have extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practical, the Company looks to include extension options in new leases to supply operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. the Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. the Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

**Fair Value Measurement and Valuation Procedures**

When estimating the fair value of financial assets and financial liabilities, the Company uses available observable market data. In the absence of level (1) inputs, the Company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

**Lease Payments Discount**

Lease payments are discounted using the implicit lease interest rate or the incremental borrowing rate. Management have applied the judgments and estimates to determine additional borrowing rate on the start of the lease date.

**Contingencies**

the Company is currently involved in a number of 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**

**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.

**Presentation in gross vs. presentation in net**

When the Company sells products or services as principal, revenue and related costs are recognized on a gross basis under operating revenue and costs, and when the Company sells products or services as an agent, related revenue and costs are recognized on a net basis within revenue and this represents the earned profit margin.

Whether a company is acting as principal or agent in a transaction depends on whether control of the products or services has been transferred to the customers, and it has the ability to direct the use of the devices or obtain benefits from the devices or services. The following are the main criteria for determining whether a company is acting as a principal:

- It is the Company's primary responsibility to provide products or services to the Customer or to fulfill an order, for example by being responsible for accepting products or services requested or purchased by the Customer,
- the Company has stock risks before or after a customer order, during shipment, or upon return, and
- the Company is free to set prices, either directly or indirectly, for example, by providing additional goods or services.

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**6. PROPERTY AND EQUIPMENT**

<u>Cost:</u>	<u>Leasehold Improvement</u>	<u>Network Infrastructures</u>	<u>Facilities, support &amp; IT equipment</u>	<u>Capital work in progress</u>	<u>Total</u>
Balance as of April 1, 2021					
Additions during the year	5,047,136	1,070,933,577	33,696,181	4,629,519	1,114,306,413
Transfer during the year	2,462,511	15,805,030	2,485,825	-	20,753,366
Balance as of March 31, 2022	7,509,647	1,087,500,986	36,182,006	(762,379)	1,135,059,779
Additions during the year	-	11,781,114	579,520	-	12,360,634
Disposal during the year	-	-	(84,750)	-	(84,750)
Transfer during the year	109,701	(109,701)	-	-	-
Balance as of March 31, 2023	7,619,348	1,099,172,399	36,676,776	3,867,140	1,147,335,663
<u>Accumulated depreciation:</u>					
Balance as of April 1, 2021					
Depreciation for the year	3,693,288	963,131,650	29,857,738	-	996,682,676
Balance as of March 31, 2022	375,096	12,934,377	618,838	-	13,928,311
	4,068,384	976,066,027	30,476,576	-	1,010,610,987
Depreciation for the year	475,407	14,516,642	705,944	-	15,697,993
Disposal during the year	-	-	(76,276)	-	(76,276)
Balance as of March 31, 2023	4,543,791	990,582,669	31,106,244	-	1,026,232,704
<u>Net book value:</u>					
March 31, 2022	3,441,263	111,434,959	5,705,430	3,867,140	124,448,792
March 31, 2023	3,075,557	108,589,730	5,570,532	3,867,140	121,102,959

- During the year, the Company capitalized the salaries of its internal technicians at SAR 1.37 million (For the year ended March 31, 2022: SAR 1.43 million).  
- During the year, the Company transferred spare parts by the amount of SR 8.8 million from inventory to property and equipment (For the year ended March 31, 2022: SR 2.1 million).

**Allocating depreciation:**

	<u>For The Year Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of Revenue	14,516,642	12,959,073
General and Administrative	1,181,351	969,238
	15,697,993	13,928,311

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**7. INTANGIBLE ASSETS**

	License Note (7-1)	Network capacity Note (7-2)	Software	Total
<b>Cost:</b>				
Balance as of April 1, 2021	527,904,000	165,853,340	52,164,807	745,922,147
Additions during the year	-	2,528,000	-	2,528,000
Balance as of March 31, 2022	<u>527,904,000</u>	<u>168,381,340</u>	<u>52,164,807</u>	<u>748,450,147</u>
Balance as of March 31, 2023	<u>527,904,000</u>	<u>168,381,340</u>	<u>52,164,807</u>	<u>748,450,147</u>
<b>Accumulated Amortization</b>				
Balance as of April 1, 2021	210,943,915	117,862,603	52,092,041	380,898,559
Amortization for the year	11,320,023	11,620,768	72,766	23,013,557
Balance as of March 31, 2022	<u>222,263,938</u>	<u>129,483,371</u>	<u>52,164,807</u>	<u>403,912,116</u>
Amortization for the year	11,320,000	11,766,891	-	23,086,891
Balance as of March 31, 2023	<u>233,583,938</u>	<u>141,250,262</u>	<u>52,164,807</u>	<u>426,999,007</u>
<b>Net book value:</b>				
March 31, 2022	<u>305,640,062</u>	<u>38,897,969</u>	<u>-</u>	<u>344,538,031</u>
March 31, 2023	<u>294,320,062</u>	<u>27,131,078</u>	<u>-</u>	<u>321,451,140</u>

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

7.2 These represent various Indefeasible Rights of Use ("IRU") agreements signed with telecom operators in the Kingdom of Saudi Arabia.

**Allocating amortization to operating cost:**

	For The Year Ended March 31,	
	2023	2022
Cost of Revenue	11,766,891	11,620,783
General and Administrative	11,320,000	11,392,774
	<u>23,086,891</u>	<u>23,013,557</u>

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**8. Leases**

**8.1 RIGHT OF USE ASSETS**

	<b>Tower Sites*</b>	<b>Telecommunication Towers</b>	<b>Warehouses</b>	<b>Total</b>
<b>Cost:</b>				
Balance as of April 1, 2021	322,207,464	848,222	14,127,220	337,182,906
Disposals during the year*	(139,807,996)	-	-	(139,807,996)
Balance as of March 31, 2022	182,399,468	848,222	14,127,220	197,374,910
Additions during the year	659,851	7,176,569	8,136,986	15,973,406
Disposals during the year	-	-	(7,274,910)	(7,274,910)
Balance as of March 31, 2023	183,059,319	8,024,791	14,989,296	206,073,406
<b>Accumulated depreciation:</b>				
Balance as of April 1, 2021	85,501,901	350,832	2,522,435	88,375,168
Charged for the year	27,551,379	175,416	2,331,891	30,058,686
Disposals during the year*	(38,337,646)	-	-	(38,337,646)
Balance as of March 31, 2022	74,715,634	526,248	4,854,326	80,096,208
Charged for the year	19,023,809	304,384	2,795,726	22,123,919
Disposals during the year*	-	-	(2,319,472)	(2,319,472)
Balance as of March 31, 2023	93,739,443	830,632	5,330,580	99,900,655
<b>Net book value:</b>				
March 31, 2022	107,683,834	321,974	9,272,894	117,278,702
March 31, 2023	89,319,876	7,194,159	9,658,716	106,172,751

\* This amount reflects the right of use contract signed with sites landlords. the Company canceled some tower contracts (unutilized 543 tower contracts) during the year ended 31 March 2022.

**Allocating of depreciation:**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cost of Revenue	19,328,193	27,726,795
General and Administrative	2,795,726	2,331,891
	<b>22,123,919</b>	<b>30,058,686</b>

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**8. Leases(continued)**

**8.2 Lease Liability**

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

	As of March 31,	
	2023	2022
Balance at the beginning of the year	188,147,170	363,671,598
Additions during the year	15,973,406	-
Disposals during the year	(5,502,070)	(101,117,678)
Finance cost during the year	5,294,050	8,606,944
Paid during the year	(31,895,739)	(29,763,511)
Settlement during the year	(1,084,044)	(5,231,418)
Lease liability transferred to trade payables	(22,933,701)	(48,018,765)
<b>Lease liability at the end of the year</b>	<b>147,999,072</b>	<b>188,147,170</b>
Current portion	56,102,468	55,644,169
Non-current portion	91,896,604	132,503,001
	<b>147,999,072</b>	<b>188,147,170</b>

**8.3 Amounts recognized in statement of profit or loss**

	For The Year Ended March 31,	
	2023	2022
Depreciation for the year	22,123,919	30,058,686
Interest on lease liability	5,294,050	8,606,944
	<b>27,417,969</b>	<b>38,665,630</b>

**8.4 Amounts recognized in statement of cash flows**

	For The Year Ended March 31,	
	2023	2022
Total cash outflow for leases	(31,895,739)	(29,763,511)

**9. Impairment testing of non-financial assets**

The impairment test for non-financial assets (Property and equipment, intangible assets, right-of-use assets) is carried out annually, as the management determines whether there are indicators of impairment in value. The management has conducted an impairment assessment in the value of its non-current assets as at March 31, 2023. The recoverable amount is based on the value in use, which is determined by discounting the future cash flows that will be generated from the continued use of non-financial assets. The recoverable amount has been determined to be higher than the carrying amount. Accordingly, no impairment loss was recognized.

The key assumptions used in the estimation of value in use for current year and previous year were as follows:

	2023	2022
Discount rate	12.4%	10%
Terminal growth rate	2%	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 four years (2022: ten years) and the terminal growth rate thereafter. The terminal growth rate has been determined based on management's estimate of the long-term combined annual EBITDA growth rate.

Planned EBITDA is based on expectations of future results taking into account past experience and adjusted for expected revenue growth. Revenue growth has been projected considering average growth levels experienced over the previous years as well as estimated sales volume and price changes for the next four years.

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**10. INVENTORIES**

	As of March 31,	
	2023	2022
Customer Premises Equipment	27,433,197	14,221,085
Spare parts	2,816,426	7,709,004
Prepaid cards	308,881	171,261
	30,558,504	22,101,350
Provision for obsolete and slow-moving inventories*	(13,950,512)	(13,950,512)
	<b>16,607,992</b>	<b>8,150,838</b>

\* There were no movement on the provision for obsolete and slow-moving inventories during the year.

**11. TRADE RECEIVABLES**

		As of March 31,	
	Note	2023	2022
Trade receivables-Private Sectors		226,023,179	194,527,178
Trade receivables-Government Sectors		81,961,815	24,618,702
Trade receivables-Related Parties	31	670,582	841,492
<b>Total</b>		<b>308,655,576</b>	<b>219,987,372</b>
Less: Provision of impairment loss trade receivable	11.1	(107,301,263)	(111,082,785)
		<b>201,354,313</b>	<b>108,904,587</b>

**11.1 Movement in Impairment loss is as follows:**

	2023	2022
Balance at beginning of the year	111,082,785	103,931,807
Charge for the year	(3,781,522)	7,150,978
Balance at end of the year	<b>107,301,263</b>	<b>111,082,785</b>

**11.2 Aging analysis of trade receivables as follows:**

	As of March 31, 2023			As of March 31, 2022			
	Gross Amount	Impairment loss provision	ECL %	Gross Amount	Impairment loss provision	ECL %	Low credit rating
Not Due	54,998,236	848,023	2%	30,397,559	1,435,153	5%	No
Due:							
1 to 90 days	48,158,050	963,161	2%	45,442,055	5,225,836	12%	No
91 to 180 days	47,751,642	1,398,781	3%	22,541,327	3,064,998	14%	No
181 to 270 days	19,739,239	894,035	5%	7,193,385	2,914,619	41%	No
271 to 360 days	13,212,911	873,300	7%	7,074,453	2,267,308	32%	No
More than 360 days	124,795,498	102,323,963	82%	107,338,593	96,174,871	90%	Yes
	<b>308,655,576</b>	<b>107,301,263</b>	<b>35%</b>	<b>219,987,372</b>	<b>111,082,785</b>	<b>50%</b>	

- During the current year, the management changed the assumptions used in calculating the provision for impairment as well as it rebuilt its expected credit losses model.

**12. CONTRACT ASSETS**

Contract assets represent the values of services provided and not invoiced up to the date of preparing the financial statements.

		As of March 31,	
	Note	2023	2022
Unbilled Revenue		13,156,520	9,211,122
Provision of impairment loss on contract assets	12.1	(44,242)	(434,882)
Ending Balance		<b>13,112,278</b>	<b>8,776,240</b>

**12.1 The movement in the provision of impairment loss on contract assets is as follows:**

	As of March 31,	
	2023	2022
Balance at the beginning of the year	434,882	-
(Reversed)/ charged during the year	(390,640)	434,882
Balance at the end of the year	<b>44,242</b>	<b>434,882</b>

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**13. OTHER CURRENT ASSETS**

	As of March 31,	
	2023	2022
Advances to suppliers	29,413,200	20,522,280
Margins held by banks against letters of guarantee issued	22,921,235	20,695,054
Prepaid expenses	1,168,960	646,863
Advances to employees	444,110	731,506
Other receivables	-	83,213
	<b>53,947,505</b>	<b>42,678,916</b>

**14. CASH AND CASH EQUIVALENTS**

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

**15. STATUTORY RESERVE**

In accordance with the Company's Bylaws, the Company is required set aside 10% of its net profit each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for distribution to shareholders.

**16. ACCOUNTS PAYABLE**

	As of March 31,	
Note	2023	2022
Due to a major vendor	250,419,707	257,563,497
Other vendors	122,287,759	115,052,009
<b>Balance at the end of the year</b>	<b>372,707,466</b>	<b>372,615,506</b>
Current-portion	220,801,712	187,602,588
Non-current portion	151,905,754	185,012,918
<b>Balance at the end of the year</b>	<b>372,707,466</b>	<b>372,615,506</b>

16.1 Movement in non-current portion is as follows:

	As of March 31,	
Note	2023	2022
Balance at beginning of the year	185,012,918	211,583,356
Transferred from current liabilities during the year	23,984,053	22,230,483
Discount from present value calculation during the year	(1,727,868)	(1,602,644)
Transferred to current liabilities during year	(65,071,079)	(56,410,156)
Unwinding of discount during the year	9,707,730	10,446,921
Paid during the year	-	(1,235,042)
<b>Balance at end of the year</b>	<b>151,905,754</b>	<b>185,012,918</b>

16.1.1 Major Vendor:

	As of March 31,	
Note	2023	2022
Balance at beginning of the year	172,788,978	211,583,356
Transferred to current liabilities during year	(49,000,000)	(49,000,000)
Unwinding of discount during the year	8,934,112	10,205,622
<b>Balance at end of the year</b>	<b>132,723,090</b>	<b>172,788,978</b>

In February 2021, the Company signed an 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 main supplier related to all services (Note 1).

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**16. ACCOUNTS PAYABLE (continued)**

16.1 Movement in non-current portion is as follows: (continued)

16.1.2 CST (Settlement agreement number 1):

	Note	As of March 31,	
		2023	2022
Balance at beginning of the year		12,223,940	-
Transferred from current liabilities during the year		-	22,230,483
Discount from present value calculation during the year	16.1	-	(1,602,644)
Transferred to current liabilities during year		(7,410,156)	(7,410,156)
Unwinding of discount during the year	16.1	773,618	241,299
Paid during the year		-	(1,235,042)
<b>Balance at end of the year</b>		<b>5,587,402</b>	<b>12,223,940</b>

On January 25, 2022, the Company entered into a contract with the CST to reschedule its liability which resulted into a new agreement. As per the new agreement, the balance is payable into 36 equal monthly payments of SR 617 thousand ending in January 2025. The payable is recognized at amortized cost as per the requirements of IFRS 9 (Note 1).

16.1.3 CST (Settlement agreement number 2):

	Note	As of March 31,	
		2023	2022
Balance at beginning of the year		-	-
Transferred from current liabilities during the year		23,984,053	-
Discount from present value calculation during the year	16.1	(1,727,868)	-
Transferred to current liabilities during year		(8,660,923)	-
<b>Balance at end of the year</b>		<b>13,595,262</b>	<b>-</b>

On March 21, 2023, the Company signed an agreement with the Communications and Information Technology Commission to reschedule receivables on the amount of obligation due in installments into 36 equal monthly payments of SR 666 thousand ending in February 2026, and the current value of the receivable has been calculated in compliance with the international standard for financial instruments (note 1).

**17. EMPLOYEES' DEFINED BENEFIT OBLIGATION**

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

	Note	As of March 31,	
		2023	2022
Balance at beginning of the year		8,844,000	8,332,000
Current service cost		1,382,657	1,112,000
Interest cost		281,887	335,000
<b>Amount recognized in profit or loss account</b>		<b>1,664,544</b>	<b>1,447,000</b>
Re-measurement loss recognized in other comprehensive loss	17.2	388,544	343,658
Benefits paid during the year		(2,827,657)	(1,278,658)
<b>Balance at the end of the year</b>		<b>8,069,431</b>	<b>8,844,000</b>

17.2 Re-measurements loss recognized in other comprehensive income are as follow:

	As of March 31,	
	2023	2022
Loss resulting from experience adjustments	(388,544)	(343,658)
<b>Actuarial loss</b>	<b>(388,544)</b>	<b>(343,658)</b>

17.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	For The Year Ended March 31,	
	2023	2022
<u>Key actuarial assumptions:</u>		
Discount rate used	3.95%	3.80%
Future growth in salary	0.50%	0.50%
<u>Demographic assumptions:</u>		
Retirement Age	60	60

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**17. EMPLOYEES' DEFINED BENEFIT OBLIGATION (continued)**

**17.4 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:

	March 31, 2023		March 31, 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	7,586,173	8,620,699	8,399,000	9,347,000
Future salary growth (1% movement)	8,677,805	7,528,233	9,360,000	8,381,000

**17.5 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.

**18. DECOMMISSIONING PROVISION**

	Note	As of March 31,	
		2023	2022
Balance at the beginning of the year		3,335,815	3,212,937
Unwinding of discount for the year	27	127,578	122,878
<b>Balance at the end of the year</b>		<b>3,463,393</b>	<b>3,335,815</b>

**19. OTHER CURRENT LIABILITIES**

	Note	As of March 31,	
		2023	2022
Government fees	19.1	116,588,978	73,819,740
Employees' related expenses		22,656,884	22,295,785
Capacity lease		-	1,145,465
Other Vendors		51,492,321	37,454,560
		<b>190,738,182</b>	<b>134,715,550</b>

**19.1** This represents amounts accrued in respect of royalty fees payable to CST. As more fully explained in note (29).

**20. CONTRACT LIABILITIES**

Contract liabilities represent cash received from customers in advance, and performance obligations related to them have not been fulfilled in part or in whole, and their revenue is recognized over a period of time (contract period).

	As of March 31,	
	2023	2022
Contract liabilities	<b>45,653,361</b>	<b>38,979,558</b>

The amount of SR 38,979,558 included in contract liabilities at March 31, 2022 has been recognized as revenue in the year ended March 31, 2023 (2021: SR 36,895,353).

The Company does not have revenue recognized during the current or previous year from contract liabilities for which the related performance obligation has been fully or partially fulfilled during previous periods.

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**21. PROVISION FOR ZAKAT AND TAX**

**21.1 Movement:**

Movement in provision for zakat and tax is as follows:

	<b>As of March 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of the year	17,399,243	27,398,958
Zakat charge during the year	1,035,358	2,784,695
Income tax charge during the year	242,408	-
Reversed during the year	(1,277,766)	-
Paid During the Year	(15,294,062)	(12,784,410)
<b>Balance at end of the year</b>	<b>2,105,181</b>	<b>17,399,243</b>

The breakdown of Zakat paid is as follows:

Zakat settlement payments during the year	12,509,367	8,339,787
The zakat charged for the previous years and paid during the year	2,784,695	4,444,623
<b>Total payments during the year</b>	<b>15,294,062</b>	<b>12,784,410</b>

**21.2 Computation of zakat**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Adjusted loss</b>		
Net profit (loss) for the year	42,468,239	(34,615,191)
Adjustments: provisions and others	671,696	(4,761,675)
<b>Adjusted profit / (adjusted loss) for the year</b>	<b>43,139,935</b>	<b>(39,376,866)</b>
Saudi / GCC shareholders' share of adjusted profit / (loss) 96%	<b>41,414,337</b>	<b>(19,242,399)</b>
<b>Additions</b>		
Share capital	89,999,000	228,529,000
Long term payables	154,312,785	196,833,647
Provisions	135,336,460	221,517,621
Lease liabilities	147,999,072	188,147,170
	<b>527,647,317</b>	<b>835,027,438</b>
<b>Deductions</b>		
Accumulated losses at beginning of year	(16,003,183)	(116,789,639)
Net book value of property and equipment at end of year	(548,726,850)	(586,265,525)
	<b>4,331,621</b>	<b>131,972,274</b>
Share of Saudi / GCC shareholders 96%	41,414,337	126,693,383
Saudi / GCC shareholders' share of adjusted profit / (adjusted loss)	4,158,356	130,630,183
<b>Zakat base</b>	<b>41,414,337</b>	<b>111,387,783</b>
<b>Zakat charge for the year</b>	<b>1,035,358</b>	<b>2,784,695</b>

\* Zakat is calculated from the adjusted net profit at 2.5%, while the zakat base is calculated from the zakat base less the adjusted net profit at 2.577684% (during 2022, zakat is due at 2.577684% of the zakat base after deducting the adjusted net profit and 2.5% of the adjusted net profit.

**21.3 Computation of income tax:**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Non-Saudi / GCC shareholders' share of adjusted profit / (adjusted loss) 4%	1,616,051	1,575,075
<b>Deductions</b>		
Accumulated losses at beginning of year	(404,013)	-
<b>Tax base</b>	<b>1,212,038</b>	<b>1,575,075</b>
<b>Tax charge for the year (20%)</b>	<b>242,408</b>	<b>-</b>

## 21. PROVISION FOR ZAKAT AND TAX (continued)

### 21.4 Zakat Expense Appeared on The Statement of Profit or Loss:

	For The Year Ended March 31,	
	2023	2022
Zakat charge during the year	1,035,358	2,784,695
Income tax charge during the year	242,408	-
Reversed during the year	(1,277,766)	-
Total charged during the year	-	2,784,695

### 21.5 Zakat and tax status

The Company has filed its Zakat and tax return with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to March 31, 2021, and the Company is in process of filling the tax and zakat declaration with ZATCA for the year ended 31 march 2023.

- In July 2015, the ZATCA 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 ZATCA against the assessments in August 2015. In response to an appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued a ruling in October 2016 based on which the Company's zakat liability was reduced to SAR 6.98 million.
- 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 a delay fine on WHT. However, the Company has settled the WHT liability of SAR 0.83 million and the related fine of SAR 0.6 million with the ZATCA. In March 2022 the Company received a decision on the appeal from The First Appeals Chamber for Income Tax Interventions and Disputes mentioned that some points were accepted and others were rejected, and the Company raised an appeal to the General Secretariat of Tax Committees. On February 6, 2023, the Tax Committees for Resolution of Tax Violations and Disputes Construction held its session in the presence of the representative from the Company and the representative from ZATCA, the lawsuit filed by the Company against the ZATCA was accepted and the decision was issued proving the end of the dispute, and accordingly the amount owed by the Company amounting to 6.89 million Saudi Riyals was canceled from the ZATCA records.
- No Zakat assessment for the year 2013 was received from the ZATCA.
- In July 2020, the ZATCA raised the zakat assessment for the year 2014 by an additional amount of SAR 5.53 million, and in December 2020, the ZATCA raised zakat and tax assessment for the fiscal years 2015, 2016, 2017, and 2018 with an additional amount of SAR 4.089 million, SAR 4.57 million, SAR nil, and SAR 18 million respectively. the Company went for a settlement with the Settlement of Zakat and Tax Disputes Committee in August 2021 and the Company attended a hearing record with the Settlement Committee, and the Settlement Committee sent the Company a proposal to pay SAR 20.85 million for the years 2014, 2015, 2016, 2017, and 2018, the Company accepted the proposal and paid the settlement amount in full over a 5 equal installments ended in December 2022.
- In October 2021 the ZATCA raised the zakat assessment for the year 2019 with an amount of zero SAR, which matched the filed form for the year.
- The Company was filling the tax and zakat declaration with ZATCA for the financial years 2020 and 2021 and paid the declarations amount that equals to SAR 4.5 million and SAR 2.8 million respectively and as of the date of this financials no assessment were received from the ZATCA yet.
- The management and the zakat advisor are of the view that no additional provision is required other than what has already been provided for.

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**22. REVENUE**

**22.1 Revenue per Service**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Data and internet revenue	421,095,533	290,476,437
Interconnection revenue	107,314,608	49,852,587
Enterprise solutions revenue	46,891,406	894,734
Voice revenue	37,262,760	28,243,580
Installation revenue	17,775,483	9,086,427
	<b>630,339,790</b>	<b>378,553,765</b>

**22.2 Timing of revenue recognition**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Recognized over time	467,986,939	291,371,171
At a point in time	162,352,851	87,182,594
	<b>630,339,790</b>	<b>378,553,765</b>

- As of 31 March 2023, the total financial transaction price for numbers that have not been met (or is not met) and related to contracts with customers whose original duration is more than one year amounted to SR 229,155,706. The Company expects to recognize the full amount of these liabilities as revenue in the following reporting periods.

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Total</u>
93,404,236	82,821,727	42,727,816	5,956,432	4,243,297	2,198	229,155,706

- As a practical expedient to IFRS 15, the Company did not disclose the total transaction price for contracts for which the performance obligation is part of a contract with an original duration of less than one year or less.

**23. COST OF REVENUE**

		<b>For The Year Ended March 31,</b>	
	<b>Note</b>	<b>2023</b>	<b>2022</b>
Capacity lease charges		166,753,611	111,611,658
Interconnection cost		103,402,123	42,932,941
Depreciation and amortization	6,7,8	45,611,726	52,306,651
Inventory consumption and installation		44,365,521	21,591,389
Government fees		40,784,780	30,549,622
Employees' costs		25,990,162	19,094,434
Cloud storage and servers		8,012,331	-
Network maintenance and support		6,364,177	3,550,474
Site rentals and utilities		3,113,679	2,765,453
Other		3,253,510	2,307,378
		<b>447,651,620</b>	<b>286,710,000</b>

**24. SELLING AND MARKETING EXPENSES**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Employees' costs	34,849,368	26,280,917
Dealers' commission	26,176,000	17,371,432
Advertising	5,691,816	2,105,083
Customer care	2,540,234	1,872,367
Other	263,287	259,508
	<b>69,520,705</b>	<b>47,889,307</b>

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**25. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Note</b>	<b>For The Year Ended March 31,</b>	
		<b>2023</b>	<b>2022</b>
Employees' costs		37,132,436	37,792,803
Depreciation and amortization	6,7,8	15,297,077	14,693,903
Network maintenance and support		6,628,193	6,551,828
Professional and consultancy charges		4,051,845	6,507,154
Medical, visa and iqama charges		2,804,229	2,734,720
Utilities charges		1,300,951	129,253
Computer accessories and software		223,091	182,641
Other		6,475,400	12,623,515
		<b>73,913,222</b>	<b>81,215,817</b>

**26. OTHER INCOME, NET**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Settlements with site lease liabilities, net	9,536,267	29,632,646
Settlement with vendors and others	4,528,449	696,148
Gain / (Loss) from disposal of lease contracts	408,669	(352,672)
Support fund from main vendor	-	4,385,934
Government fines	-	(5,007,577)
	<b>14,473,385</b>	<b>29,354,479</b>

**27. FINANCE COST, NET**

	<b>Note</b>	<b>For The Year Ended March 31,</b>	
		<b>2023</b>	<b>2022</b>
Unwinding of discount on long term liabilities	16.1	9,707,730	10,446,921
Interest cost on lease liabilities	8.2	5,294,050	8,606,944
Interest on defined benefit liability	17	281,887	335,000
Unwinding of provision for dismantling cost	18	127,578	122,878
Other finance cost		1,748,174	1,213,352
Finance income	16.1	(1,727,868)	(1,602,644)
		<b>15,431,551</b>	<b>19,122,451</b>

**28. EARNINGS (LOSS) PER SHARE**

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net profit (loss) for the year	42,468,239	(37,399,886)
Weighted average number of shares for the year	<b>8,999,900</b>	<b>8,999,900</b>
Basic and diluted loss per share	<b>4.72</b>	<b>(4.16)</b>

Profit / (loss) per share is computed by dividing net profit (loss) attributable to the ordinary shareholders of the Company for the years ended March 31, 2023 and 31 March 2022, by the weighted average number of shares outstanding during the years ended March 31, 2023 and March 31, 2022.

## 29. CONTINGENCIES

### Contingencies

#### Letter of guarantees

The Company has outstanding letters of guarantees as of March 31, 2023 by the amount of SR 50 million (March 31, 2022: SAR 50 million).

#### 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.

#### CST liability

The Ministry of Finance requested the Company, according to its letter dated August 26, 2017, to pay an amount of 155.7 million Saudi riyals to the Authority as a franchise fee. The Company has completed some aspects of the mechanism for calculating the franchise fees due to the Authority, and the Authority has issued amended invoices for fees. However, the authority also billed franchise fees on the Company's internet revenue. The management and the legal advisor see that Internet revenues are not subject to royalties and therefore have raised the matter with the Authority. The administration considers that the actual amount due to the Authority for all its claims will not exceed the amount due in the books of accounts, and accordingly, no payments related to the disputed invoices have been recorded. Then, as of January 31, 2018, the authority revised the calculation of the franchise fee to include internet services.

On May 10, 2023, the Company sealed an agreement with the CST regarding the dispute over the financial consideration owed by the Company towards the CST related to the license granted to the Company, and accordingly, the amounts required to be paid according to the agreement amounted to SR 63,876,855 to be paid in equal installments (note 35).

## 30. 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.
- **E-Commerce** transactions are not material during the year-end financial statements. The Company will continuously assess e-commerce transactions materiality.

	As of March 31, 2023			
	Voice	Data	Unallocated	Total
<b>Segment assets</b>				
Property and equipment	3,162,219	117,940,740	-	121,102,959
Intangible assets	8,393,672	313,057,468	-	321,451,140
Right of use assets	2,772,363	103,400,388	-	106,172,751
Total assets	129,200,651	757,610,946	-	886,811,597
Total liabilities	281,787,840	488,948,246	-	770,736,086
	For The Year Ended March 31, 2023			
	Voice	Data	Unallocated	Total
Revenue	144,577,369	453,916,837	31,845,584	630,339,790
Cost of revenue	(17,537,789)	(422,101,501)	(8,012,330)	(447,651,620)
<b>Gross profit</b>	<b>127,039,580</b>	<b>31,815,336</b>	<b>23,833,254</b>	<b>182,688,170</b>
Selling and marketing expenses	-	-	(69,520,705)	(69,520,705)
Impairment loss on trade receivables and contract assets	-	-	4,172,162	4,172,162
General and administrative expenses	-	-	(73,913,222)	(73,913,222)
Other income, net	-	-	14,473,385	14,473,385
Finance cost, net	-	-	(15,431,551)	(15,431,551)
Zakat and income tax	-	-	-	-
<b>Net profit (loss)</b>	<b>127,039,580</b>	<b>31,815,336</b>	<b>(116,386,677)</b>	<b>42,468,239</b>

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**30.SEGMENTAL INFORMATION (continued)**

	As of March 31, 2022			
	Voice	Data	Unallocated	Total
<b>Segment assets</b>				
Property and equipment	3,249,584	121,199,208	-	124,448,792
Intangible assets	8,996,514	335,541,517	-	344,538,031
Right of use assets	3,062,360	114,216,342	-	117,278,702
Total assets	122,168,128	715,864,530	-	838,032,658
Total liabilities	284,191,001	479,845,841	-	764,036,842
<b>For The Year Ended March 31, 2022</b>				
	Voice	Data	Unallocated	Total
Revenue	78,096,165	300,457,600	-	378,553,765
Cost of revenue	(11,437,239)	(275,272,761)	-	(286,710,000)
<b>Gross profit</b>	<b>66,658,926</b>	<b>25,184,839</b>	<b>-</b>	<b>91,843,765</b>
Selling and marketing expenses	-	-	(47,889,307)	(47,889,307)
Impairment loss on trade receivables and contract assets	-	-	(7,585,860)	(7,585,860)
General and administrative expenses	-	-	(81,215,817)	(81,215,817)
Other income	-	-	29,354,479	29,354,479
Finance income, net	-	-	(19,122,451)	(19,122,451)
Zakat and income tax	-	-	(2,784,695)	(2,784,695)
<b>Net profit (loss)</b>	<b>66,658,926</b>	<b>25,184,839</b>	<b>(129,243,651)</b>	<b>(37,399,886)</b>

**Information about geographical segmentation**  
Geographical segmentation of revenues (Note 19)

	For The Year Ended March 31,	
	2023	2022
Kingdom of Saudi Arabia	628,598,543	336,967,556
Outside Kingdom of Saudi Arabia	1,741,247	41,586,209
	<b>630,339,790</b>	<b>378,553,765</b>

### **31. 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 name</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<b>For The Year Ended March 31,</b>	
			<b>2023</b>	<b>2022</b>
Bahrain Telecommunication Company	Major Shareholder	Data revenue	1,902,763	1,082,090
		Interconnection revenue	270,270	189,140
		Interconnection cost	2,343,943	4,418,193
		Settlement absorbed expenses	-	3,652,886
Bithar Trading Company Limited *	Affiliate	Data revenue	-	66,051
Atheeb Saudi Intergraph Company Limited *	Affiliate	Data revenue	-	58,296
Saudi Arabian Marketing and Agencies Limited *	Affiliate	Data revenue	-	56,464
Etihad Shams Company Limited *	Affiliate	Data revenue	-	5,947

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

<i>Due from related parties</i>	<i>Relationship</i>	<b>As of March 31,</b>	
		<b>2023</b>	<b>2022</b>
Bahrain Telecommunications Company	Major Shareholder	670,582	841,492
		<b>670,582</b>	<b>841,492</b>

\* These affiliate companies sold all their shares in the Company during the first and second quarters of the year 2021, and accordingly, these companies are no longer related parties after that date.

#### **Transactions with key management personnel:**

Key management personnel compensation comprised of the following:

	<b>For The Year Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	15,553,538	17,231,104
Long-term employee benefits	-	1,248,750
End of service	399,972	1,406,662
	<b>15,953,510</b>	<b>19,886,516</b>

### **32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

#### **i. Fair values**

The fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purposes on the basis of the accounting policies disclosed in the financial statements. As at the reporting date, the fair value of the Company's financial assets and liabilities was a reasonable fair value

#### **ii. Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Commission rate 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.

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

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, the maximum exposure to credit risk represents the carrying value of these assets.

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

	As of March 31,	
	2023	2022
Trade receivables (note 11)	201,354,313	108,904,587
Contract assets (note 12)	13,112,278	8,776,240
Other current assets (note 13)	23,365,345	21,509,773
Cash and cash equivalents (note 14)	53,062,659	83,256,552
	<b>290,894,595</b>	<b>222,447,152</b>

***Trade receivables and contract assets:***

the Company's exposure to credit risk is influenced mainly by the collective characteristics of the B2C sector and by the individual characteristics of the B2B sector. However, the management also takes into account the risk of default of the business sectors and individuals, as these factors may have an impact on the credit risk, and there is no concentration of credit risk geographically.

It is the Company's policy that all clients who wish to trade on credit terms are subject to a credit check procedure. The credit quality of the customer is evaluated based on the financial solvency of each individual customer. In addition, receivable balances are monitored on an ongoing basis.

Customer credit risk is managed by each business unit subject to the Company's policy, procedures and controls in relation to the management of customer credit risk. Credit limits are set for all customers using internal and external rating criteria. In order to avoid excessive concentration of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risk are controlled and managed accordingly.

The Company's management has established a credit policy according to which each new customer is analysed separately in terms of financial solvency before stating the Company's terms and conditions for the payment process. A company review includes external valuations, when available, and in some cases, bank references. Purchase limits are established for each customer, which represent the maximum amount without the need for the approval of the Company's management; These limits are reviewed every year. Customers who fail to meet the Company's standard creditworthiness may transact with the Company only on a prepaid basis only.

The concentration of risks related to trade receivables and contract assets is limited because the Company's customers consist of a large number of unrelated customers and there is no customer whose revenue exceeds more than 10% of the Company's total revenue. Payment terms and credit limit are set in accordance with the standards of the telecommunications sector.

An impairment analysis is performed at each reporting date using a provision matrix for measuring expected credit losses. Credit loss rates are based on days past due for groups of different customer segments with similar loss patterns (ie customer type and classification). Note (11) and (12) include information about exposure to credit risk on trade receivables and contract assets of the Company using the provision matrix.

**The following are the changes that led to the increase / (decrease) in the allowance for impairment in trade receivables and contract assets:**

- An increase in the impairment trade receivables by SAR 7.9 million led to an increase in the impairment allowance by SAR 7.9 million.
- The increase in total trade receivables and total contract assets did not lead to an increase in the allowance for impairment due to the improvement of collection and to the reconstruction of the expected credit losses model during the year ending on March 31, 2023. Improvement in the collection and rebuilding the model resulted in a decrease in the impairment allowance by SAR 12.11 million.