

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Interim Financial Statements**  
**And Review Report**  
**For six months period ended**  
**30 September 2020**



**Crowe**

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

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Interim Financial Statements**  
**And Review Report For The Six Months Period Ended 30 September 2020**

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

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

**Introduction**

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

**Scope of Review**

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

**Basis for Disclaimer of Conclusion**

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

- (a) As disclosed in Note 2 of the condensed interim financial statements, the Company's current liabilities exceed its current assets by SAR 642.92 million as at 30 September 2020, and for the period then ended, the Company incurred a net loss of SAR 24.30 million.
- (b) The Company's condensed interim statement of financial position includes non-financial assets amounting to SAR 1,146 million as at 30 September 2020. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 30 September 2020 and hence no impairment loss has been recognized. Management's impairment assessment is highly dependent on a number of subjective judgements and assumptions about future business performance. Certain assumptions made by management in the impairment review are key judgements, including deferral of payments to key suppliers, cash flows, overall long-term growth rates and discount rate. The impairment review includes the assumption that the Company will acquire ongoing financial and technical support from its key suppliers to implement the business plan.

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

Audit, Tax & consultants

Salman B. AlSudairy  
License No. 283

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License No. 658

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License No. 335

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

**Basis for Disclaimer of Conclusion (continued)**

- (c) The Company has an overdue balance owed to its key supplier amounting to SAR 642.65 million as at 30 September 2020. The Company has contacted the key supplier with the intention of entering into an agreement to restructure the repayments of the amounts owed to them. The discussions with the key supplier are still ongoing.

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

**Disclaimer of Conclusion**

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



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



**Salman B. Al Sudairy**  
**License No. 283**

22 Rabi Al-Awwal 1442 H (November 8, 2020)  
Riyadh, Kingdom of Saudi Arabia

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

	Note	30 September 2020 (Unaudited)	31 March 2020 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	214,190,132	221,878,420
Intangibles	5	675,653,401	701,015,742
Right of use assets	6	256,527,772	260,274,226
<b>Total non-current assets</b>		<b>1,146,371,305</b>	<b>1,183,168,388</b>
<b>Current assets</b>			
Inventories		4,345,712	3,352,483
Trade receivables	7	216,664,906	212,396,537
Prepayments and other current assets		127,496,384	131,461,761
Cash and cash equivalents	8	131,932,004	122,530,311
<b>Total current assets</b>		<b>480,439,006</b>	<b>469,741,092</b>
<b>TOTAL ASSETS</b>		<b>1,626,810,311</b>	<b>1,652,909,480</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		228,529,000	228,529,000
Accumulated losses		(102,084,974)	(77,787,152)
<b>Total equity</b>		<b>126,444,026</b>	<b>150,741,848</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term accounts payable	11	116,656,873	143,946,006
Lease Liabilities	12	249,383,582	256,450,416
Defined benefit obligation – employees' benefit		7,810,124	8,310,000
Decommissioning provisions		3,153,234	3,094,644
<b>Total non-current liabilities</b>		<b>377,003,813</b>	<b>411,801,066</b>
<b>Current liabilities</b>			
Murabaha financing	10	–	7,767,084
Accounts payable – short term		841,276,280	805,934,288
Accrued expenses and other current liabilities		126,138,210	131,816,320
Lease Liabilities – current portion	12	120,883,197	106,745,471
Deferred income		32,365,827	35,404,445
Provision for zakat and tax	13	2,698,958	2,698,958
<b>Total current liabilities</b>		<b>1,123,362,472</b>	<b>1,090,366,566</b>
<b>Total liabilities</b>		<b>1,500,366,285</b>	<b>1,502,167,632</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,626,810,311</b>	<b>1,652,909,480</b>

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

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Almetwally  
Chairman

Mahmoud Al-Awadiah  
Acting Chief Financial Officer

B.H.

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

Note	For the three months period ended		For the six months period ended	
	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)
Revenue	67,767,212	86,836,434	140,795,231	183,933,945
Cost of revenue	(27,222,864)	(44,610,288)	(60,381,077)	(102,029,151)
Gross profit	40,544,348	42,226,146	80,414,154	81,904,794
Operating expenses				
Selling and marketing expenses	(7,508,490)	(8,001,216)	(15,434,812)	(17,756,263)
Depreciation and amortization	4,5,6 (25,711,989)	(30,827,862)	(51,388,318)	(61,725,537)
Allowance for impairment in trade receivables	(2,112,490)	(6,687,951)	(4,609,493)	(13,982,673)
General and administration expenses	(13,783,180)	(15,310,527)	(26,518,921)	(32,907,965)
Other income	12 50,651	3,195,395	50,651	3,227,359
Operating loss	(8,821,150)	(15,405,950)	(17,486,744)	(41,320,285)
Financial charges	(3,209,450)	(5,420,362)	(6,811,078)	(11,367,545)
Loss for the period	(12,030,600)	(20,826,312)	(24,297,822)	(52,687,830)
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Re-measurement of defined benefit obligation				
Total comprehensive loss for the period	(12,030,600)	(20,826,312)	(24,297,822)	(52,687,830)
Loss per share - basic and diluted	13 (0.53)	(0.91)	(1.06)	(2.31)

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

Yahya Salah Al Mansour  
Chief Executive Officer

Dr. Eisa Baasia  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer

B. A.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

	Share capital	Accumulated losses	Total
Balance at 01 April 2019 (Audited)	472,500,000	(250,262,112)	222,237,888
Loss for the period	--	(52,687,830)	(52,687,830)
Other comprehensive income	--	--	--
Total comprehensive loss for the period	--	(52,687,830)	(52,687,830)
Reduction of share capital to absorb accumulated losses	(121,971,000)	121,971,000	--
Balance at 30 September 2019 (Unaudited)	350,529,000	(180,978,942)	169,550,058
Balance at 01 April 2020 (Audited)	228,529,000	(77,787,152)	150,741,848
Loss for the period	--	(24,297,822)	(24,297,822)
Other comprehensive income	--	--	--
Total comprehensive loss for the period	--	(24,297,822)	(24,297,822)
Balance at 30 September 2020 (Unaudited)	228,529,000	(102,084,974)	126,444,026

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

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Alachia  
Chairman

Mahmoud Al Abdulah  
Acting Chief Financial Officer

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

		For the six month period ended	
	Note	30 September 2020	30 September 2019
		Unaudited	Unaudited
<b>Cash flows from operating activities</b>			
Loss for the period		(24,297,822)	(52,687,830)
Adjustments for non-cash items:			
Depreciation and amortization	4,5,6	51,388,318	61,725,537
Impairment loss on trade receivables	7	4,609,498	13,982,673
Finance costs		6,811,078	11,367,545
Provision for employees' end of service benefits		508,500	663,436
		<u>39,019,572</u>	<u>35,051,361</u>
<b>Changes in working capital</b>			
Inventories		(993,229)	(298,190)
Trade receivables		(8,877,867)	(55,670,661)
Prepayments and other current assets		(6,814,854)	(24,981,583)
Accounts payable		18,405,930	108,063,103
Accrued expenses and other current liabilities		(5,685,423)	(12,305,117)
Deferred income		(3,038,618)	3,598,323
		<u>32,015,511</u>	<u>45,457,236</u>
Finance costs paid		(326,554)	(820,008)
Employees' end of service benefits paid		(1,167,375)	(1,446,451)
<b>Net cash generated from operating activities</b>		<u><b>30,521,582</b></u>	<u><b>43,190,777</b></u>
<b>Cash flows from investing activities</b>			
Addition to property and equipment		(1,285,171)	(1,501,990)
<b>Net cash used in investing activities</b>		<u><b>(1,285,171)</b></u>	<u><b>(1,501,990)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of murabaha financing		(7,767,084)	(15,534,039)
Payment of leased liabilities		(12,067,634)	-
<b>Net cash used in financing activities</b>		<u><b>(19,834,718)</b></u>	<u><b>(15,534,039)</b></u>
<b>Net increase in cash and cash equivalents</b>		<b>9,401,693</b>	<b>26,154,698</b>
Cash and cash equivalents at the beginning of the period		<u>122,530,311</u>	<u>97,574,234</u>
<b>Cash and cash equivalents at the end of the period</b>		<u><b>131,932,004</b></u>	<u><b>123,728,932</b></u>
<b>Supplementary information for non-cash transaction</b>			
Addition to right of use assets		13,306,064	-
Impact of adoption of IFRS 16		-	298,234,404

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

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Alqahtani  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer

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**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

**1. ORGANIZATION AND ACTIVITIES**

**General information**

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

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

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

As at 30 September 2020, the authorized, issued and paid up share capital of the Company is SAR 228.529 million (31 March 2020: 228.529 million divided into 22.8529 million shares of SAR 10 each).

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

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

The Company filed an appeal against CITC with the Court for returning the full amount of the performance bond encashed by CITC. On 30 September 2019 the appeal was rejected by the Court. The Company has also filed a case against CITC for the withdrawal of frequencies won by the Company in the auction held by CITC. On 01 October 2020 this appeal was also rejected by the Court.

- d) In response to the spread of the Covid-19 resulting in disruptions to the social and economic activities in the markets around the world and kingdom of Saudi Arabia, the management has proactively assessed its impacts on its operations and has taken a series of preventive measures. Notwithstanding these challenges, the Company's business operations currently remain largely unaffected as they mainly provide online services and their major sales have been conducted through website. Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the reported financial results for the period ended 30 September 2020. However, the management will continue to monitor the situation closely.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

**2. BASIS OF PREPARATION**

*a) Statement of compliance*

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

*b) Basis of measurement*

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

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

As at 30 September 2020, the Company's current liabilities exceeds its current assets by SAR 642.92 million (31 March 2020: SAR 620.62 million). Moreover, the Company has accumulated losses amounting to SAR 102.09 million as of 30 September 2020, which approximate 44.67% of the Company's share capital and the Company incurred a net loss of SAR 24.30 million for the period than ended.

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

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

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

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

**2. BASIS OF PREPARATION (Continued)**

**c *Functional and presentation currency***

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

**d *Use of estimates and judgments***

In preparing these condensed interim financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**New standards, amendments to standards and interpretations**

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

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

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**4. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
<b>Cost:</b>						
Balance at 01 April 2019	3,670,619	1,060,764,922	2,663,250	32,760,691	4,629,519	1,104,489,001
Additions during the year	--	2,732,630	--	--	--	2,732,630
Disposals during the year	--	--	--	(7,880)	--	(7,880)
Balance at 31 March 2020	3,670,619	1,063,497,552	2,663,250	32,752,811	4,629,519	1,107,213,751
Additions during the period	--	1,285,171	--	--	--	1,285,171
Balance at 30 September 2020	3,670,619	1,064,782,723	2,663,250	32,752,811	4,629,519	1,108,498,922
<b>Accumulated depreciation:</b>						
Balance at 01 April 2019	3,670,619	833,233,293	902,288	28,892,035	--	866,698,235
Charge for the year	--	18,007,091	46,869	589,578	--	18,643,538
Eliminated on disposals	--	--	--	(6,442)	--	(6,442)
Balance at 31 March 2020	3,670,619	851,240,384	949,157	29,475,171	--	885,335,331
Charge for the period	--	8,650,469	86,910	236,080	--	8,973,459
Balance at 30 September 2020	3,670,619	859,890,853	1,036,067	29,711,251	--	894,308,790
<b>Net book value:</b>						
At 30 September 2020	--	204,891,870	1,627,183	3,041,560	4,629,519	214,190,132
At 31 March 2020	--	212,257,168	1,714,093	3,277,640	4,629,519	221,878,420

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

**4. PROPERTY AND EQUIPMENT (Continued)**

**4.1 Impairment test**

Non-financial assets are tested annually for impairment where management determines that indicators of impairment exist. Management performed an impairment assessment of its non-current assets as at 31 March 2020. The recoverable amount was based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the non-financial assets. The recoverable amount was determined to be higher than the carrying value. Accordingly, no impairment loss was recognized.

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

	<b>Percentage</b>
Discount rate	10%
Terminal growth rate	2%

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

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

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

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 September 2020  
(Saudi Arabian Riyals)

**5. INTANGIBLES**

	<u>License</u>	<u>Network capacity (note 5.2)</u>	<u>Software</u>	<u>Total</u>
<b>Cost:</b>				
Balance at 1 April 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the year	—	—	—	—
Balance at 31 March 2020	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the period	—	—	—	—
Balance at 30 September 2020	527,904,000	580,929,926	52,164,807	1,160,998,733
<b>Accumulated amortization:</b>				
Balance at 1 April 2019	188,303,908	169,056,417	49,198,284	406,558,609
Charge for the year	11,320,004	39,307,652	2,796,726	53,424,382
Balance at 31 March 2020	199,623,912	208,364,069	51,995,010	459,982,991
Charge for the period	5,660,000	19,653,826	48,515	25,362,341
Balance at 30 September 2020	205,283,912	228,017,895	52,043,525	485,345,332
<b>Net book value:</b>				
At 30 September 2020	322,620,088	352,912,031	121,282	675,653,401
At 31 March 2020	328,280,088	372,565,857	169,797	701,015,742

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

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

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**6. RIGHT OF USE ASSETS**

	Telecommunication		
	Tower Sites	Towers	Warehouses
Cost:			Total
Balance at 1 April 2019	296,388,205	848,222	298,234,404
Additions during the year	21,621,998	--	21,621,998
Disposals during the year	(9,108,803)	--	(9,108,803)
Balance at 31 March 2020	308,901,400	848,222	310,747,599
Additions during the period	13,306,064	--	13,306,064
Balance at 30 September 2020	322,207,464	848,222	324,053,663
Accumulated depreciation:			
Balance at 1 April 2019	--	--	--
Charge for the year	49,850,223	175,416	50,473,373
Balance at 31 March 2020	49,850,223	175,416	50,473,373
Charge for the period	16,729,718	87,708	17,052,518
Balance at 30 September 2020	66,579,941	263,124	67,525,891
Net book value:			
At 30 September 2020	255,627,523	585,098	256,527,772
At 31 March 2020	259,051,177	672,806	260,274,226

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**7. TRADE RECEIVABLES**

	<u>Note</u>	<u>30 September</u> <u>2020</u>	<u>31 March 2020</u>
Trade receivables	7.1	306,998,077	298,120,210
Allowance for impairment	7.2	(90,333,171)	(85,723,673)
		<u>216,664,906</u>	<u>212,396,537</u>

7.1 Trade receivables include an amount of SAR 46,669,728 (31 March 2020: SAR 44,725,551) due from related parties. (Note 17)

7.2 Movement in Impairment loss is as follows:

	<u>For the</u> <u>period ended</u> <u>30 September</u> <u>2020</u>	<u>For the</u> <u>year ended</u> <u>31 March 2020</u>
Balance at beginning of the period / year	85,723,673	65,313,304
Charge for the period / year	4,609,498	20,410,369
Balance at end of the period / year	<u>90,333,171</u>	<u>85,723,673</u>

**8. CASH AND CASH EQUIVALENTS**

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

**9. STATUTORY RESERVE**

In accordance with the Company's By-Laws, the Company is required to set aside 10% of its net income each year as statutory reserve. The Company can stop setting aside 10% of its net income each year when such reserve equals to 30% of the share capital.

**10. MURABAHA FINANCING**

This represents murabaha financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission of 1.75% per annum.

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



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**11. LONG TERM ACCOUNTS PAYABLE**

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

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

	Note	30 September 2020	31 March 2020
Balance at the beginning of the period / year		182,468,877	--
Reschedule during the period / year	11.1	--	215,060,346
Additions during the period / year		12,832,096	11,159,514
Payments during the period / year		(11,977,517)	(43,750,983)
<b>Balance at the end of the period / year</b>		<b>183,323,456</b>	<b>182,468,877</b>

**Non-current portion of the total accounts payable**

	30 September 2020	31 March 2020
Non-current portion – LTE	116,656,873	143,946,006
<b>Balance at the end of the period / year</b>	<b>116,656,873</b>	<b>143,946,006</b>

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

**12. LEASE LIABILITIES**

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

Liability	30 September 2020	31 March 2020
Balance at the beginning of the period / year	363,195,887	--
Impact of adoption of IFRS 16	--	347,402,809
Addition during the period / year	13,306,064	21,621,998
Cancellation for the period / year	--	(9,108,803)
Finance cost	5,832,462	13,426,538
Paid during the period / year	(12,067,634)	(10,146,655)
<b>Lease liability at the end of the period / year</b>	<b>370,266,779</b>	<b>363,195,887</b>

**Lease liability maturity is as follows:**

Less than one year	120,883,197	106,745,471
More than one years	249,383,582	256,450,416

Expenses relating to short-term and low-value leases for the period are SAR 40.5 million, Nil (March 2020: SAR 97.09 million, Nil) respectively.

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**13. OTHER INCOME**

	For the six month period ended	
	30 September 2020	30 September 2019
Settlement from Vendor	--	3,195,249
Miscellaneous income	50,651	32,110
	<u>50,651</u>	<u>3,227,359</u>

**14. LOSS PER SHARE – BASIC AND DILUTED**

	For the six month period ended	
	31 September 2020	31 September 2019
Net loss for the period	(24,297,822)	(52,687,830)
Weighted average number of shares for the period	22,852,900	22,852,900
Loss per share - basic and diluted	(1.06)	(2.31)

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

14.2 The weighted average number of shares for the period ended 30 September 2020 and 30 September 2019 have been arrived by taking the effect of reduction in the share capital from the beginning of the earliest period presented (i.e. 1 April 2019) in order to comply with the requirements of IAS 33.

Number of issued shares on 1 April 2019	47,250,000
Number of shares cancelled	(24,397,100)
Weighted average number of shares on 1 April 2019	<u>22,852,900</u>

**15. CONTINGENCIES AND COMMITMENTS**

a) ***Contingencies***

***Letter of guarantees***

The Company has outstanding letters of guarantee as at 30 September 2020 amounting to SAR 50 million (31 March 2020: 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.

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**15. CONTINGENCIES AND COMMITMENTS (Continued)**

**a) Contingencies (Continued)**

**CITC liability**

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

**b) Commitments**

The Company has commitments resulting from major agreements which were entered into and not yet executed at the reporting date amounting approximately to SAR 51.03 million pertaining to the various vendors.

**16. SEGMENTAL INFORMATION**

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

The Company is engaged in a single line of business, being the supply of telecommunication services and related products. The whole of the Company's revenues, profits and assets relate to its operations in Saudi Arabia. The operating segments that are regularly reported to the CODM are explained below:

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

	As at 30 September 2020			Total
	Voice	Data	Unallocated	
<b>Segment assets</b>				
Property and equipment	5,592,893	208,597,239	--	214,190,132
Intangibles	17,642,537	658,010,864	--	675,653,401
Right of use assets	6,698,406	249,829,366	--	256,527,772
	For the three months period ended 30 September 2020			Total
	Voice	Data	Unallocated	
<b>Segment revenue and costs</b>				
Revenue	8,647,655	59,119,557	--	67,767,212
Cost of revenue	(1,085,956)	(26,136,908)	--	(27,222,864)
Selling and marketing expenses	--	--	(7,808,490)	(7,808,490)
Depreciation and amortization	(244,267)	(25,467,722)	--	(25,711,989)
Allowance for impairment in trade receivables	--	--	(2,112,490)	(2,112,490)
General and administrative expenses	--	--	(13,783,180)	(13,783,180)
Other income	--	--	50,651	50,651
Finance cost	--	--	(3,209,450)	(3,209,450)

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**16. SEGMENTAL INFORMATION (continued)**

	For the six months period ended 30 September 2020			
	Voice	Data	Unallocated	Total
<b>Segment revenue and costs</b>				
Revenue	21,235,157	119,560,074	--	140,795,231
Cost of revenue	(19,572,317)	(40,808,760)	--	(60,381,077)
Selling and marketing expenses	--	--	(15,434,812)	(15,434,812)
Depreciation and amortization	(914,723)	(50,473,595)	--	(51,388,318)
Allowance for impairment in trade receivables	--	--	(4,609,498)	(4,609,498)
General and administrative expenses	--	--	(26,518,923)	(26,518,923)
Other income	--	--	50,651	50,651
Finance cost	--	--	(6,811,078)	(6,811,078)

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

	For the three months period ended 30 September 2019			
	Voice	Data	Unallocated	Total
<b>Segment revenue and costs</b>				
Revenue	5,198,701	81,637,733	--	86,836,434
Cost of revenue	(1,779,563)	(42,830,725)	--	(44,610,288)
Selling and marketing expenses	--	--	(8,001,216)	(8,001,216)
Depreciation and amortization	(292,868)	(30,534,934)	--	(30,827,802)
Allowance for impairment in trade receivables	--	--	(6,687,951)	(6,687,951)
General and administrative expenses	--	--	(15,310,522)	(15,310,522)
Other income	--	--	3,195,395	3,195,395
Finance cost	--	--	(5,420,362)	(5,420,362)

	For the six months period ended 30 September 2019			
	Voice	Data	Unallocated	Total
<b>Segment revenue and costs</b>				
Revenue	11,011,710	172,922,235	--	183,933,945
Cost of revenue	(4,070,977)	(97,959,074)	--	(102,029,151)
Selling and marketing expenses	--	--	(17,756,263)	(17,756,263)
Depreciation and amortization	(586,400)	(61,139,137)	--	(61,725,537)
Allowance for impairment in trade receivables	--	--	(13,982,673)	(13,982,673)
General and administrative expenses	--	--	(32,987,965)	(32,987,965)
Other income	--	--	3,227,359	3,227,359
Finance cost	--	--	(11,367,545)	(11,367,545)

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

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**17. RELATED PARTY TRANSACTIONS AND BALANCES**

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

Significant transactions entered into with related parties are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>For the three months period ended</i>	
			<i>30 September 2020</i>	<i>30 September 2019</i>
Bahrain Telecommunication Company	Shareholder	Data revenue	1,128,722	1,731,655
		Interconnection revenue	756,451	756,853
		Interconnection cost	299,802	422,652
Bithar Trading Company Limited	Shareholder	Data revenue	75,162	223,338
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	66,079	49,001
Atheeb Maintenance and Services	Shareholder	Data revenue	—	20,895
Etihad Shams Company Limited	Affiliate	Data revenue	10,198	25,769
Al Nahla Trading company	Shareholder	Management Fees	—	6,921
Traco Group Trading	Shareholder	Management Fees	—	2,967
Saudi Internet Company	Shareholder	Management Fees	—	2,226
Founding shareholders	Shareholder	Guarantee fee	—	32,139
Key management personnel	-	Salaries and related benefits	432,750	432,750
Board of Directors	-	Expenses	66,000	17,227
<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>For the six months period ended</i>	
			<i>30 September 2020</i>	<i>30 September 2019</i>
Bahrain Telecommunication Company	Shareholder	Data revenue	2,254,073	3,417,739
		Interconnection revenue	1,512,779	1,513,551
		Interconnection cost	527,400	699,779
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	436,652	227,616
Bithar Trading Company Limited	Shareholder	Data revenue	136,244	278,778
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	112,108	106,538
Atheeb Maintenance and Services	Shareholder	Data revenue	20,160	41,055
Etihad Shams Company Limited	Affiliate	Data revenue	17,913	26,130
Al Nahla Trading company	Shareholder	Management Fees	1,575	14,574
Traco Group Trading	Shareholder	Management Fees	675	6,246
Saudi Internet Company	Shareholder	Management Fees	506	4,686
Founding shareholders	Shareholder	Guarantee fee	7,312	67,668
Key management personnel	-	Salaries and related benefits	865,500	865,500
Board of Directors	-	Expenses	99,000	61,871

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**17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<u>Due from related parties</u>		30 September 2020	31 March 2020
	<u>Relationship</u>		
Bahrain Telecommunications Company	Shareholder	41,649,398	40,168,637
Bithar Trading Company Limited	Shareholder	594,472	458,229
Saudi Arabian Marketing and Agencies Limited	Affiliate	4,253,342	3,866,554
Atheeb Saudi Intergraph Company Limited	Shareholder	78,841	148,391
Atheeb Maintenance and Services	Shareholder	86,068	80,588
EtiHAD Shams Company Limited	Affiliate	7,607	3,152
		<u>46,669,728</u>	<u>44,725,551</u>

<u>Due to related parties</u>		30 September 2020	31 March 2020
	<u>Relationship</u>		
Bahrain Telecommunications Company	Shareholder	29,102,940	28,573,852
Bithar Trading Company Limited	Shareholder	53,381	51,525
Traco Company Trading and Contracting Company	Shareholder	924,988	924,313
Saudi Internet Company Limited	Shareholder	213,216	212,710
Bithar Communications & Information Technology Company Limited	Shareholder	265,716	265,210
Atheeb Maintenance and Services Company Limited	Shareholder	265,716	265,210
Al Nahla Trading and Contracting Company Limited	Shareholder	172,280	170,705
		<u>30,998,237</u>	<u>30,463,525</u>

**18. PROVISION FOR ZAKAT AND TAX :**

**18.1 Movement in Zakat provision**

The movement in Zakat provision is as follows:

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

**18.2 Zakat and tax status**

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

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

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**18. PROVISION FOR ZAKAT AND TAX (Continued)**

**18.2 Zakat and tax status (Continued)**

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

In July 2020, the GAZT raised zakat assessment for the year 2015 amounting to SAR 5.53 million. The Company filed an appeal with the GAZT against the assessments in September 2020. The Company is still waiting for the response of GAZT regarding the appeal filed.

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

**19. FINANCIAL INSTRUMENTS – FAIR VALUES**

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

**20. SUBSEQUENT EVENT**

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

**21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were authorized for issue by the Board of Directors on 22 Rabi Al-Awwal 1442H (Corresponding to November 8, 2020).