

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Interim Financial Statements (Un-audited)**  
**For the six months period ended 30 September 2018**  
**together with the Independent Auditors' Review Report**

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
**(A Saudi Joint Stock Company)**  
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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 2018, and the related condensed interim statement of profit or loss and other comprehensive income for the three and six-month periods ended 30 September 2018, and the condensed interim statements 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 2018 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 577 million as at 30 September 2018, and for the period then ended the Company incurred a net loss of SAR 35.54 million.
- (b) The Company's condensed interim statement of financial position includes non-financial assets amounting to SAR 1,021 million as at 30 September 2018. There was a significant change in the market whereby the Communication and information Technology Commission ("industry regulator") awarded a unified telecommunications concession to mobile telecommunications network operators. However, the industry regulator did not award the Unified License to the Company. 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 2018 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 successfully raise fresh equity, either from existing shareholders or potential investors and 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, a binding agreement has not been signed with any potential investor nor 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 the revenue and the operating cost growth rates and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.

**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 693 million as at 30 September 2018. The Company has conducted 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 2018.

**Other Matter:**

The financial statements of the Company for the year ended 31 March 2018 were audited by another auditor who issued a disclaimer on those financial statements on 25 June 2019.



**AlAzem & AlSudairy**  
**Certified Public Accountants**



**Salman B. AlSudairy**  
**License No. 283**

1 Safar 1441 H (September 30, 2019)  
Riyadh, Saudi Arabia

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 30 September 2018  
(Saudi Arabian Riyals)

		<u>Un-audited</u>	<u>Audited</u>
	Note	30 September 2018	31 March 2018
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property and equipment	5	239,887,550	256,238,672
Intangibles	6	781,152,315	807,868,470
<b>Total non-current assets</b>		<u>1,021,039,865</u>	<u>1,064,107,142</u>
<b>Current assets</b>			
Inventories		1,041,916	1,606,218
Trade receivables	7	210,435,888	178,701,905
Prepayments and other current assets		137,066,732	94,960,655
Cash and cash equivalents	8	64,372,295	53,880,263
<b>Total current assets</b>		<u>412,916,831</u>	<u>329,149,041</u>
<b>TOTAL ASSETS</b>		<u>1,433,956,696</u>	<u>1,393,256,183</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	1	472,500,000	472,500,000
Accumulated losses		(233,586,050)	(188,550,905)
<b>Total equity</b>		<u>238,913,950</u>	<u>283,949,095</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Tawaroq Islamic Financing	10	23,301,115	38,835,177
Long term accounts payable	11	108,277,301	183,204,448
Defined benefit obligation – employees' benefit		10,880,016	11,628,000
Provision for decommissioning cost		2,925,238	2,870,856
Deferred gain		60,000,024	66,428,598
<b>Total non-current liabilities</b>		<u>205,383,694</u>	<u>302,967,079</u>
<b>Current liabilities</b>			
Tawaroq Islamic Financing – current portion	10	31,068,117	31,068,119
Accounts payable – short term		740,379,189	586,033,590
Accrued expenses and other current liabilities		162,860,454	131,132,275
Deferred gain – current portion		12,857,112	12,857,112
Deferred income		39,795,222	42,549,955
Provision for Zakat and tax	17	2,698,958	2,698,958
<b>Total current liabilities</b>		<u>989,659,052</u>	<u>806,340,009</u>
<b>Total liabilities</b>		<u>1,195,042,746</u>	<u>1,109,307,088</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,433,956,696</u>	<u>1,393,256,183</u>

The accompanying notes (1) through (20) form an integral part of these condensed interim financial statements.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (Un-audited)**  
For the three and six months period ended 30 September 2018  
(Saudi Arabian Riyals)

	For the three months period ended		For the six months period ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
<i>Note</i>				
Revenue, net	103,810,191	126,450,682	213,475,357	262,476,694
Cost of services	(78,131,702)	(103,740,541)	(150,362,753)	(214,689,549)
Gross profit	30,678,489	22,710,141	63,112,604	47,787,145
Operating expenses				
Selling and marketing expenses	(8,162,888)	(17,756,345)	(17,033,808)	(36,514,006)
Depreciation and amortization	(21,959,323)	(22,500,536)	(44,051,815)	(47,202,498)
Allowance for impairment in trade receivables	(5,029,764)	(2,361,361)	(13,830,413)	(3,862,147)
General and administration expenses	(20,541,534)	(21,529,427)	(46,120,200)	(52,900,528)
Other income	15,215,769	16,891,920	30,438,621	129,163,489
Operating (loss) / profit	(9,799,251)	(24,545,608)	(27,485,011)	36,471,455
Financial charges	(3,869,539)	(5,268,375)	(8,054,002)	(10,861,507)
(Loss) / profit for the period	(13,668,790)	(29,813,983)	(35,539,013)	25,609,948
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) / income for the period	(13,668,790)	(29,813,983)	(35,539,013)	25,609,948
(Loss) / earnings per share – basic and diluted	13 (0.29)	(0.63)	(0.75)	0.54



The accompanying notes (1) through (20) form an  
integral part of these condensed interim financial statements.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
For the six months period ended 30 September 2018  
(Saudi Arabian Riyals)

	Note	Share capital	Accumulated losses	Total
Balance at 01 April 2018		472,500,000	(188,550,905)	283,949,095
Impact of adoption of IFRS 9		—	(9,496,132)	(9,496,132)
Balance at April 1, 2018 ( Adjusted)		472,500,000	(198,047,037)	274,452,963
Loss for the period		—	(35,539,013)	(35,539,013)
Other comprehensive income		—	—	—
Total comprehensive loss for the period		—	(35,539,013)	(35,539,013)
Balance at 30 September 2018		472,500,000	(233,586,050)	238,913,950

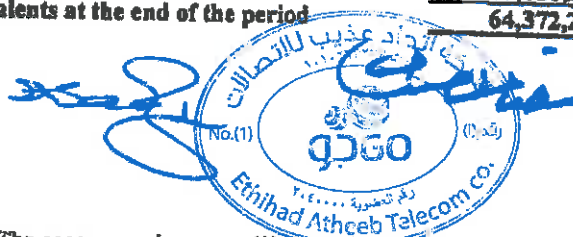
		Share capital	Accumulated losses	Total
Balance at 01 April 2017		1,575,000,000	(1,254,403,543)	320,596,457
Reduction of share capital to absorb losses	1	(945,000,000)	945,000,000	—
Profit for the period		—	25,609,948	25,609,948
Other comprehensive income		—	—	—
Total comprehensive income for the period		—	25,609,948	25,609,948
Balance at 30 September 2017		630,000,000	(283,793,595)	346,206,405



The accompanying notes (1) through (20) form an integral part of these condensed interim financial statements.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)**  
For the six months period ended 30 September 2018  
(Saudi Arabian Riyals)

		For the six months period ended	
	Note	30 September 2018	30 September 2017
<b>Cash flows from operating activities</b>			
(Loss) / profit for the period		(35,539,013)	25,609,948
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization	5,6	44,051,815	47,202,498
Gain on disposal of property and equipment	12	—	(97,921,898)
Amortization of deferred gain on disposal of property and equipment	12	(6,428,574)	(4,285,716)
Allowance for impairment in trade receivables	7	13,830,413	3,862,147
Finance costs		1,569,397	10,861,507
Provision for employees' end of service benefits		906,000	1,325,457
		<u>18,390,038</u>	<u>(13,346,057)</u>
<b>Changes in working capital</b>			
Inventories		564,302	162,815
Trade receivables		(55,060,528)	(34,677,445)
Prepayments and other current assets		(59,066,036)	(70,596,672)
Accounts payable		96,378,411	94,521,118
Accrued expenses and other current liabilities		31,728,179	50,478,992
Deferred income		(2,754,733)	(16,226,605)
		<u>30,179,633</u>	<u>10,316,146</u>
Finance costs paid		(1,283,015)	(1,757,929)
Employees' end of service benefits paid		(1,885,984)	(219,214)
<b>Net cash generated from operating activities</b>		<u>27,010,634</u>	<u>8,339,003</u>
<b>Cash flows from investing activities</b>			
Addition to property and equipment		(984,538)	(2,574,097)
Addition to intangibles		—	(37,994,845)
<b>Net cash used in investing activities</b>		<u>(984,538)</u>	<u>(40,568,942)</u>
<b>Cash flows from financing activities</b>			
Repayment of Tawaroq Islamic Financing		(15,534,064)	(15,534,068)
<b>Net cash used in financing activities</b>		<u>(15,534,064)</u>	<u>(15,534,068)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>10,492,032</u>	<u>(47,764,007)</u>
Cash and cash equivalents at the beginning of the period		53,880,263	102,693,540
<b>Cash and cash equivalents at the end of the period</b>		<u>64,372,295</u>	<u>54,929,533</u>



The accompanying notes (1) through (20) form an integral part of these condensed interim financial statements.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)**  
For the six months period ended 30 September 2018  
(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'I 1438H (corresponding to 29 December 2016), the Communications and Information Technology Commission (CITC) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 6.1).

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 2018, the authorized, issued and paid up share capital of the Company is SAR 472.5 million divided into 47.25 million shares of SAR 10 each. The founding shareholders of the Company have subscribed and paid for 19.50 million shares and the remaining 27.75 million shares have been subscribed by the general public. Subsequent to 30 September 2018, the Board of Directors of the Company recommended to reduce the Company's share capital by SAR 121.97 million, in their meeting held on 27 March 2019, in order to comply with the Article 150 and 224 of the new Companies' Regulation. The aforesaid reduction has been approved in the extra ordinary general meeting of shareholders held on 24 April 2019. Accordingly, the Company's share capital has been reduced to SAR 350.53 million.

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

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

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

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)**  
For the six months period ended 30 September 2018  
(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 2018 ("last annual Financial Statements"). These condensed interim financial statements do not include all of the information required for a complete set of IFRS 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 of accounting using going concern basis.

As at 30 September 2018, the Company's current liabilities exceeds its current assets by SAR 577 million (31 March 2018: SAR 477 million). Moreover, the Company has accumulated losses amounting to SAR 234 million as of 30 September 2018, which approximate 49.44% of the Company's share capital.

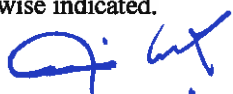
The Company's management believes that the Company's business will improve and that it will be able to meet its obligations as and when they become due. The Company's current cash flow forecasts are critically dependent upon the continued deferral of payments and ongoing support by its key suppliers 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 has negotiated with one of its key supplier and has successfully rescheduled the 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.

**c) *Functional and presentation currency***

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



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

**d) *Use of estimates and judgments (continued)***

The preparation of these condensed interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are same as those described in the last annual financial statements of the Company except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in note 3 below.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim financial statements are consistent with those that were applied in the Company's last annual financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 March 2018, except for the adoption of new standards effective as of 1 April 2018. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 March 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**3.1 New accounting standards adopted during the period**

The Company has initially applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (see a) and (see b) from 1 April 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

**a) *IFRS 9 Financial Instruments***

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

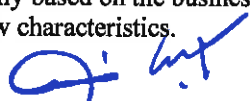
The details of new significant accounting policies are set out below.

**i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.



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**3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) IFRS 9 Financial Instruments (continued)**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in condensed interim statement of profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in condensed interim statement of profit or loss. Any gain or loss on derecognition is recognized in condensed interim statement of profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in condensed interim statement of profit or loss. Other net gains and losses are recognized in condensed interim statement of other comprehensive income. On derecognition, gains and losses accumulated in condensed interim statement of other comprehensive income are reclassified to condensed interim statement of profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in condensed interim statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in condensed interim statement of other comprehensive income and are never reclassified to condensed interim statement of profit or loss.

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)**  
For the six months period ended 30 September 2018  
(Saudi Arabian Riyals)

**3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) *IFRS 9 Financial Instruments (continued)***

**ii. Impairment of financial assets**

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

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

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

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

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**3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a) IFRS 9 Financial Instruments (continued)**

**iii. Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized 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:
  - (i) the Company has transferred substantially all the risks and rewards of the asset, or
  - (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**b) IFRS 15 Revenue from Contracts with Customers**

The Company has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for the period ended 31 March 2018 has not been restated.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's revenue are set out below.

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms.	Nature of the changes in accounting policy
Data and voice revenue	Revenue from data and voice services is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Company allocates transaction price to each distinct performance obligation based on respective standalone selling price. If performance obligations are not distinct, revenue is recognized over the contract term. Revenue from additional consumption is recognized when services are rendered.	The Company's revenue recognition policy is already in line with IFRS 15 and no change is required.
Installation and set-up fee revenue	The B2C services provided by the Company has one-time installation and set-up fee elements that is invoiced to the customer at the inception of the service.  The Company identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone.	Previously, setup and installation fees were recognized as revenue, as and when they were invoiced to the customer.  Under IFRS 15 such installation and set-up fee will be recognized as revenue over the average contract life.
Costs to obtain / fulfill contracts	The Company incurs costs that are solely incremental to <ul style="list-style-type: none"> <li>- obtaining contracts with customers (i.e. commission, sales incentives etc.)</li> <li>- fulfilling the obligations under the contracts with customers (i.e. sub-contractor costs)</li> </ul> and that would not otherwise be incurred.	Previously, certain costs that were incurred in obtaining contracts (i.e. commission, sales incentives etc.) / fulfilling performance obligations under contracts with customers (i.e. sub-contractor costs) were charged to the statement of profit or loss as and when they were incurred.  Under IFRS 15, all such costs that are incremental and incurred directly as a result of obtaining a contract / fulfilling obligations under a contract with a customer and are capitalized and amortized over the contract term, to the extent that the Company intends to recover such balances.

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**3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9**

The impact of adoption of IFRS 15 and IFRS 9 on the Company's condensed interim financial statements for the six months period ended 30 September 2018 are set out in the following tables.

**Impact on the condensed statement of financial position as at 30 September 2018**

	Balance as per Financials	Adjustment IFRS 15	Adjustment IFRS 9	Balance without adoption of IFRS 15 & 9
<b><u>ASSETS</u></b>				
<b>Non-current assets</b>				
Property and equipment	239,887,550	--	--	239,887,550
Intangibles	781,152,315	--	--	781,152,315
<b>Total non-current assets</b>	<b>1,021,039,865</b>	<b>--</b>	<b>--</b>	<b>1,021,039,865</b>
<b>Current assets</b>				
Inventories	1,041,916	--	--	1,041,916
Trade receivables	210,435,888	--	(4,227,335)	214,663,223
Prepayments and other current assets	137,066,732	--	--	137,066,732
Cash and cash equivalents	64,372,295	--	--	64,372,295
<b>Total current assets</b>	<b>412,916,831</b>	<b>--</b>	<b>(4,227,335)</b>	<b>417,144,166</b>
<b>TOTAL ASSETS</b>	<b>1,433,956,696</b>	<b>--</b>	<b>(4,227,335)</b>	<b>1,438,184,031</b>
<b><u>EQUITY AND LIABILITIES</u></b>				
<b>Equity</b>				
Share capital	472,500,000	--	--	472,500,000
Accumulated losses	(233,586,050)	(863,294)	(4,227,335)	(228,495,421)
<b>Total equity</b>	<b>238,913,950</b>	<b>(863,294)</b>	<b>(4,227,335)</b>	<b>244,004,579</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Tawaroq Islamic Financing	23,301,115	--	--	23,301,115
Long term accounts payable	108,277,301	--	--	108,277,301
Defined benefit obligation – employees' benefit	10,880,016	--	--	10,880,016
Provision for decommissioning cost	2,925,238	--	--	2,925,238
Deferred gain	60,000,024	--	--	60,000,024
<b>Total non-current liabilities</b>	<b>205,383,694</b>	<b>--</b>	<b>--</b>	<b>205,383,694</b>
<b>Current liabilities</b>				
Tawaroq Islamic Financing – current portion	31,068,117	--	--	31,068,117
Accounts payable – short term	740,379,189	--	--	740,379,189
Accrued expenses and other current liabilities	162,860,454	--	--	162,860,454
Deferred gain – current portion	12,857,112	--	--	12,857,112
Deferred income	39,795,222	863,294	--	38,931,928
Provision for Zakat and tax	2,698,958	--	--	2,698,958
<b>Total current liabilities</b>	<b>989,659,052</b>	<b>863,294</b>	<b>--</b>	<b>988,795,758</b>
<b>Total liabilities</b>	<b>1,195,042,746</b>	<b>863,294</b>	<b>--</b>	<b>1,194,179,452</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,433,956,696</b>	<b>--</b>	<b>(4,227,335)</b>	<b>1,438,184,031</b>

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**3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Impact on interim statement of profit or loss and other comprehensive income for the six months period ended 30 September 2018

	Balance as per Financials	Adjustment IFRS 15	Adjustment IFRS 9	Balance without adoption of IFRS 15 & 9
Revenue, net	213,475,357	863,294	--	212,612,063
Cost of services	(150,362,753)	--	--	(150,362,753)
<b>Gross profit</b>	<b>63,112,604</b>	<b>863,294</b>	<b>--</b>	<b>62,249,310</b>
Selling and marketing expenses	(17,033,808)	--	--	(17,033,808)
Depreciation and amortization	(44,051,815)	--	--	(44,051,815)
Allowance for impairment in trade receivables	(13,830,413)	--	(4,227,335)	(9,603,078)
General and administrative expenses	(46,120,200)	--	--	(46,120,200)
Other income	30,438,621	--	--	30,438,621
<b>Operating profit / (loss)</b>	<b>(27,485,011)</b>	<b>863,294</b>	<b>(4,227,335)</b>	<b>(24,120,970)</b>
Finance costs	(8,054,002)	--	--	(8,054,002)
<b>Net profit / (loss) for the period</b>	<b>(35,539,013)</b>	<b>863,294</b>	<b>(4,227,335)</b>	<b>(32,174,972)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>				
Re-measurement gain on defined benefit obligation	--	--	--	--
<b>Total comprehensive income / (loss) for the period</b>	<b>(35,539,013)</b>	<b>863,294</b>	<b>(4,227,335)</b>	<b>(32,174,972)</b>

**4. NEW STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these interim financial statements.

**IFRS 16 Leases**

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted.

The Company is currently assessing the potential impact of adopting IFRS 16 on its financial statements.

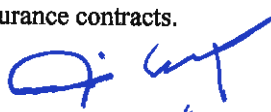
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**4. NEW STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

**Other standards**

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 – Uncertainty over tax treatments
- Prepayment features with negative compensation (amendments to IFRS 9)
- Long term interests in associates and joint ventures (amendments to IAS 28)
- Planned amendments, curtailments or settlement (amendments to IAS 19)
- Annual Improvements to IFRSs 2015–2017 Cycle – various standards.
- Amendments to reference to conceptual framework in IFRS standard.
- IFRS 17 – Insurance contracts.



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**5. PROPERTY AND EQUIPMENT**

<b>Cost:</b>	<b>Leasehold improvements</b>	<b>Network infrastructure</b>	<b>Decommissioning cost</b>	<b>Facilities, support &amp; IT equipment</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Balance at 01 April 2017</b>	<b>3,670,619</b>	<b>1,149,632,766</b>	<b>2,663,250</b>	<b>32,621,626</b>	<b>11,907,058</b>	<b>1,200,495,319</b>
Additions during the year	--	5,481,040	--	127,750	--	5,608,790
Disposals during the year	--	(104,142,944)	--	(7,300)	--	(104,150,244)
Transfers during the year	--	7,232,539	--	--	(7,232,539)	--
<b>Balance at 31 March 2018</b>	<b>3,670,619</b>	<b>1,058,203,401</b>	<b>2,663,250</b>	<b>32,742,076</b>	<b>4,674,519</b>	<b>1,101,953,865</b>
Additions during the period	--	988,588	--	--	--	988,588
Disposals during the period	--	--	--	(7,388)	--	(7,388)
Transfers during the period	--	45,000	--	--	(45,000)	--
<b>Balance at 30 September 2018</b>	<b>3,670,619</b>	<b>1,059,236,989</b>	<b>2,663,250</b>	<b>32,734,688</b>	<b>4,629,519</b>	<b>1,102,935,065</b>
<b>Accumulated depreciation:</b>						
<b>Balance at 01 April 2017</b>	<b>3,670,619</b>	<b>837,871,482</b>	<b>300,768</b>	<b>26,972,927</b>	--	<b>868,815,796</b>
Charge for the year	--	37,639,618	300,768	1,029,411	--	38,969,797
Eliminated on disposals	--	(62,064,842)	--	(5,558)	--	(62,070,400)
<b>Balance at 31 March 2018</b>	<b>3,670,619</b>	<b>813,446,258</b>	<b>601,536</b>	<b>27,996,780</b>	--	<b>845,715,193</b>
Charge for the year	--	16,702,890	150,370	482,400	--	17,335,660
Disposals during the period	--	--	--	(3,338)	--	(3,338)
<b>Balance at 30 September 2018</b>	<b>3,670,619</b>	<b>830,149,148</b>	<b>751,906</b>	<b>28,475,842</b>	--	<b>863,047,515</b>
<b>Net book value:</b>						
<b>At 30 September 2018</b>	<b>--</b>	<b>229,087,841</b>	<b>1,911,344</b>	<b>4,258,846</b>	<b>4,629,519</b>	<b>239,887,550</b>
<b>At 31 March 2018</b>	<b>--</b>	<b>244,757,143</b>	<b>2,061,714</b>	<b>4,745,296</b>	<b>4,674,519</b>	<b>256,238,672</b>

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**6. INTANGIBLES**

	<u>License</u>	<u>Network capacity (note 6.2)</u>	<u>Software</u>	<u>Total</u>
<b>Cost:</b>				
Balance at 1 April 2017	527,904,000	519,184,677	52,164,807	1,099,253,484
Additions during the year	--	61,745,249	--	61,745,249
Balance at 31 March 2018	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the period	--	--	--	--
Balance at 30 September 2018	527,904,000	580,929,926	52,164,807	1,160,998,733
<b>Accumulated amortization:</b>				
Balance at 1 April 2017	165,663,896	91,833,094	43,604,827	301,101,817
Additions during the year	11,320,008	37,911,706	2,796,732	52,028,446
Balance at 31 March 2018	176,983,904	129,744,800	46,401,559	353,130,263
Additions during the period	5,660,003	19,657,790	1,398,362	26,716,155
Balance at 30 September 2018	182,643,907	149,402,590	47,799,921	379,846,418
<b>Net book value:</b>				
At 30 September 2018	345,260,093	431,527,336	4,364,886	781,152,315
At 31 March 2018	350,920,096	451,185,126	5,763,248	807,868,470

**6.1** 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).

**6.2** 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 thirty thousand ports on its fiber optics network (i.e. Fiber-To-The-Home ("FTTH")). The IRU agreement allows both parties to agree upon increasing the ports to reach one hundred thousand ports.

As on 30 June 2018, the Company has acquired the initial 30,000 ports amounting to SAR 408 million. The related liability is due in 12 equal quarterly installments of SAR 34 million each, due from the second quarter of the financial year 2017-18. The Company has further acquired 10,000 ports costing SAR 51 million during the year for which the related liability is due in 8 equal quarterly installments commencing from one year after the order date. The intangible and the corresponding liability has been discounted to its present value using the market rate.

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**7. TRADE RECEIVABLES**

	Note	<u>30 September</u> <u>2018</u>	<u>31 March 2018</u>
Trade receivables	7.1	265,153,936	210,093,408
Allowance for impairment	7.2	(54,718,048)	(31,391,503)
		<u>210,435,888</u>	<u>178,701,905</u>

7.1 Trade receivables include an amount of SAR 29,029,569 (31 March 2018: SAR 25,291,796) due from related parties. (Note 16)

7.2 Movement in allowance for impairment is as follows:

	<u>For the period</u> <u>ended</u> <u>30 September</u> <u>2018</u>	<u>For the</u> <u>year ended</u> <u>31 March 2018</u>
Balance at beginning of the period / year	31,391,503	16,430,396
Adjustment on initial application of IFRS 9	9,496,132	--
Charge for the period / year	<u>13,830,413</u>	<u>14,961,107</u>
Balance at end of the period / year	<u>54,718,048</u>	<u>31,391,503</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 bylaws the Company is required set aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital.

**10. TAWAROO ISLAMIC FINANCING**

This represents Islamic mode of financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission of 1.75% per annum. The Company is to repay the outstanding balance in 7 equal quarterly installments ending April 2020.

	<u>30 September</u> <u>2018</u>	<u>31 March 2018</u>
Current portion	31,068,117	31,068,119
Non-current portion	<u>23,301,115</u>	<u>38,835,177</u>
	<u>54,369,232</u>	<u>69,903,296</u>

**11. LONG TERM ACCOUNTS PAYABLE**

This represents payable to STC in respect of the FTTH IRU agreement as explained in Note 1(b) and Note 6.2. The payable has been discounted to its present value using the market rate.

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**11. LONG TERM ACCOUNTS PAYABLE (CONTINUED)**

The movement in long term accounts payable is as follows:

	<b>30 September 2018</b>	<b>31 March 2018</b>
Balance at the beginning of the year	213,516,948	381,449,394
Addition during the year	--	47,525,249
Unwinding of discount for the year	5,822,854	14,542,305
	<u>219,339,802</u>	<u>443,516,948</u>
Liability settled through sale of towers	--	(230,000,000)
<b>Balance at the end of the year</b>	<u><b>219,339,802</b></u>	<u><b>213,516,948</b></u>

	<b>30 September 2018</b>	<b>31 March 2018</b>
Current Portion (included in short term accounts payable)	111,062,501	30,312,500
Non-current portion	108,277,301	183,204,448
<b>Balance at the end of the year</b>	<u><b>219,339,802</b></u>	<u><b>213,516,948</b></u>

**12. OTHER INCOME**

	<u>Note</u>	<u>For the six months period ended</u>	
		<u><b>30 September 2018</b></u>	<u><b>30 September 2017</b></u>
Gain on disposal of property and equipment		--	97,921,898
Marketing support income	12.1	24,000,000	24,000,000
Amortization of deferred gain on sale of property and equipment		6,428,574	4,285,716
Others		10,047	2,955,875
		<u><b>30,438,621</b></u>	<u><b>129,163,489</b></u>

- 12.1** Marketing support income consists of income from STC from various marketing support services as the Company entered into agreements with STC to market the business sector (see note 1(c)).

**13. (LOSS) / EARNINGS PER SHARE – BASIC AND DILUTED**

	<u>Note</u>	<u>For the six months period ended</u>	
		<u><b>30 September 2018</b></u>	<u><b>30 September 2017</b></u>
Net (loss) / profit for the period		<u><b>(35,539,013)</b></u>	<u><b>25,609,948</b></u>
Weighted average number of shares for the period		<u><b>47,250,000</b></u>	<u><b>47,250,000</b></u>
(Loss) / earnings per share - basic and diluted		<u><b>(0.75)</b></u>	<u><b>0.54</b></u>

- 13.1** 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 2018 and 30 September 2017, by the weighted average number of shares outstanding during the period.

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**14. CONTINGENCIES AND COMMITMENTS**

**a) *Contingencies***

*Letter of guarantees*

The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2018: SAR 50 million) as at the reporting date.

*Legal cases status*

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

*CITC liability*

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

**b) *Commitments***

The Company has commitments resulting from major agreements which were entered into and not yet executed at the reporting date amounting approximately to SAR 103 million pertaining to the various vendors.

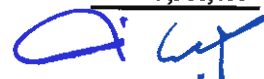
**c) *Operating leases***

The Company has various operating leases for its offices, warehouses and operational facilities. Rental expenses for the period ended 30 September 2018 amounted to SAR 28.0 million (30 September 2017: SAR 23.1 million).

Future rental commitments at 30 September 2018 under these operating leases are as follows:

**Twelve months period ending 30 September:**

	<u><b>SAR</b></u>
2019	7,247,000
2020	839,800
2021	378,800
2022	900,800
	<u>9,366,400</u>



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**15. 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.

	<u>As at 30 September 2018</u>			
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	<u>Total</u>
<b>Segment assets</b>				
Property and equipment	6,263,900	233,623,650	--	239,887,550
Intangibles	20,397,306	760,755,009	--	781,152,315

	<u>For the three months period ended 30 September 2018</u>			
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	<u>Total</u>
<b>Segment revenue and costs</b>				
Revenue, net	20,420,899	88,389,292	--	108,810,191
Cost of services	(43,559,973)	(34,571,729)	--	(78,131,702)
Selling and marketing expenses	--	--	(8,162,888)	(8,162,888)
Depreciation and amortization	(573,398)	(21,385,925)	--	(21,959,323)
Allowance for impairment in trade receivables	--	--	(5,029,764)	(5,029,764)
General and administrative expenses	--	--	(20,541,534)	(20,541,534)
Other income	--	--	15,215,769	15,215,769
Finance cost	--	--	(3,869,539)	(3,869,539)

	<u>For the six months period ended 30 September 2018</u>			
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	<u>Total</u>
<b>Segment revenue and costs</b>				
Revenue, net	40,063,882	173,411,475	--	213,475,357
Cost of services	(83,830,216)	(66,532,537)	--	(150,362,753)
Selling and marketing expenses	--	--	(17,033,808)	(17,033,808)
Depreciation and amortization	(1,150,273)	(42,901,542)	--	(44,051,815)
Allowance for impairment in trade receivables	--	--	(13,830,413)	(13,830,413)
General and administrative expenses	--	--	(46,120,200)	(46,120,200)
Other income	--	--	30,438,621	30,438,621
Finance cost	--	--	(8,054,002)	(8,054,002)

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**15. SEGMENTAL INFORMATION (CONTINUED)**

	<u>As at 31 March 2018</u>			<u>Total</u>
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	
<b>Segment assets</b>				
Property and equipment	6,690,857	249,547,815	--	256,238,672
Intangibles	21,094,913	786,773,557	--	807,868,470

	<u>For the three months period ended 30 September 2017</u>			<u>Total</u>
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	
<b>Segment revenue and costs</b>				
Revenue, net	42,755,468	83,695,214	--	126,450,682
Cost of services	(57,837,409)	(45,903,132)	--	(103,740,541)
Selling and marketing expenses	--	--	(17,756,345)	(17,756,345)
Depreciation and amortization	(587,530)	(21,913,006)	--	(22,500,536)
Allowance for impairment in trade receivables	--	--	(2,361,361)	(2,361,361)
General and administrative expenses	--	--	(21,529,427)	(21,529,427)
Other income	--	--	16,891,920	16,891,920
Finance cost	--	--	(5,268,375)	(5,268,375)

	<u>For the six months period ended 30 September 2017</u>			<u>Total</u>
	<u>Voice</u>	<u>Data</u>	<u>Unallocated</u>	
<b>Segment revenue and costs</b>				
Revenue, net	88,560,296	173,916,398	--	262,476,694
Cost of services	(119,693,681)	(94,995,868)	--	(214,689,549)
Selling and marketing expenses	--	--	(36,514,006)	(36,514,006)
Depreciation and amortization	(1,233,104)	(45,969,394)	--	(47,202,498)
Allowance for impairment in trade receivables	--	--	(3,862,147)	(3,862,147)
General and administrative expenses	--	--	(52,900,528)	(52,900,528)
Other income	--	--	129,163,489	129,163,489
Finance cost	--	--	(10,861,507)	(10,861,507)

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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**16. 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>	For the three months period ended	
			30 September 2018	30 September 2017
Bahrain Telecommunication Company	Shareholder	Data revenue	<u>1,732,743</u>	<u>1,264,451</u>
		Interconnection revenue	<u>2,340</u>	<u>332,035</u>
		Interconnection cost	<u>416,774</u>	<u>1,070,390</u>
Ithraa Capital Company	Affiliate	Consultancy	--	--
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	<u>293,492</u>	<u>243,428</u>
Bithar Trading Company Limited	Shareholder	Data revenue	<u>56,000</u>	<u>123,026</u>
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	<u>64,823</u>	<u>71,582</u>
Atheeb Maintenance and Services	Shareholder	Data revenue	<u>20,160</u>	<u>19,150</u>
Etihad Shams Company Limited	Shareholder	Data revenue	<u>12,924</u>	--
Founding shareholders	Shareholder	Guarantee fee	<u>45,723</u>	<u>89,931</u>

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	For the six months period ended	
			30 September 2018	30 September 2017
Bahrain Telecommunication Company	Shareholder	Data revenue	<u>3,221,020</u>	<u>2,417,218</u>
		Interconnection revenue	<u>18,646</u>	<u>122,402</u>
		Interconnection cost	<u>1,093,015</u>	<u>2,098,420</u>
Ithraa Capital Company	Affiliate	Consultancy	--	<u>9,792,190</u>
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	<u>372,676</u>	<u>551,881</u>
Bithar Trading Company Limited	Shareholder	Data revenue	<u>111,091</u>	<u>175,226</u>
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	<u>120,872</u>	<u>112,342</u>
Atheeb Maintenance and Services	Shareholder	Data revenue	<u>40,320</u>	<u>38,300</u>
Etihad Shams Company Limited	Shareholder	Data revenue	<u>24,762</u>	--
Founding shareholders	Shareholder	Guarantee fee	<u>94,851</u>	<u>183,264</u>

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

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**16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

<u>Due from related parties</u>	<u>Relationship</u>	<u>30 September 2018</u>	<u>31 March 2018</u>
Bahrain Telecommunications Company	Shareholder	24,342,733	21,103,068
Bithar Trading Company Limited	Shareholder	2,332,270	2,222,334
Saudi Arabian Marketing and Agencies Limited	Affiliate	2,179,823	1,807,147
Atheeb Saudi Intergraph Company Limited	Shareholder	112,920	109,495
Atheeb Maintenance and Services	Shareholder	39,633	19,420
Etihad Shams Company Limited	Affiliate	22,190	30,334
		<u>29,029,569</u>	<u>25,291,796</u>

<u>Due to related parties</u>	<u>Relationship</u>	<u>30 September 2018</u>	<u>31 March 2018</u>
Bahrain Telecommunications Company	Shareholder	26,084,231	24,969,329
Ithraa Capital Company	Affiliate	--	--
Bithar Trading Company Limited	Shareholder	1,116,347	1,092,269
Traco Company Trading and Contracting Company	Shareholder	905,572	896,818
Saudi Internet Company Limited	Shareholder	679,179	672,612
Bithar Communications & Information Technology Company Limited	Shareholder	679,179	672,612
Atheeb Maintenance and Services Company Limited	Shareholder	679,179	672,612
Al Nahla Trading and Contracting Company Limited	Shareholder	126,983	106,553
		<u>30,270,670</u>	<u>29,082,805</u>

**17. PROVISION FOR ZAKAT AND TAX**

**17.1 Movement in Zakat provision**

The movement in Zakat provision is as follows:

	<u>30 September 2018</u>	<u>31 March 2018</u>
Balance at the beginning of the period / year	2,698,958	2,698,958
Charge during the period / year	--	--
Balance at the end of the period / year	<u>2,698,958</u>	<u>2,698,958</u>

**17.2 Zakat and tax status**

The Company has filed its zakat and tax return with the General Authority of Zakat and Tax ("GAZT") for the period/ years up to 31 March 2018.

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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**17. PROVISION FOR ZAKAT AND TAX (Continue)**

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

The zakat and tax returns filed by the Company for the years 2013 to 2018 are still under review by the GAZT.

**18. 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.

**19. SUBSEQUENT EVENT**

No subsequent event, except for the reduction in the Company's share capital as disclosed in Note 1, has occurred during and upto the date of the approval of these condensed interim financial statements that could materially affect the amounts and/or disclosures in these condensed interim financial statements.

**20. DATE OF AUTHORIZATION**

These condensed interim financial statements were authorized for issue by the Board of Directors on 1 Safar 1441H (Corresponding to September 30, 2019).

