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

**Condensed Interim Financial Statements
For the Three and Nine Month Periods Ended December 31, 2022
And Report on Review of Condensed Interim Financial Statements**



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Condensed Interim Financial Statements
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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 31 December 2022, the related condensed interim statement of profit or loss and other comprehensive income for the three and nine months' periods ended 31 December 2022, the statements of changes in equity and cash flows for the nine months' 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. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Material Uncertainty Related to Going Concern

We draw attention to note (1-b) to the accompanying condensed interim financial statements, which indicates that, as of 31 December 2022, the accumulated losses of the Company amounted to SR 3.04 million, which represents 3.38% of its share capital, and the Company's current liabilities exceeded its current assets by SR 207.32 million as of that date. As stated in note (1-b), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to note (1-a) to the accompanying condensed interim financial statements, which mentions that, the Company completed the necessary treatments regarding the observations from the Communications, Space and Technology Commission ("the CST") with regards to the first phase of the network deployment obligations, in addition to completing its obligations towards 100% deployment of the network for the second phase regarding the license to use 3.5 GHz band frequencies, which is to cover 30% of the cities under obligation. The Company is still awaiting the response of the CST with regards to the acceptance of the Company's fulfillment on these obligations. Our conclusion is not modified in respect of this matter.



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

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

14 Rajab 1444H (5 February 2023)
Riyadh, Kingdom of Saudi Arabia

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at December 31, 2022
(Saudi Riyal)

		As of	
		December 31, 2022 (Unaudited)	March 31, 2022 (Audited) Reclassified (Note 24)
Note			
ASSETS			
Non-current assets			
Property and equipment	4	125,129,889	124,448,792
Intangible assets	5	327,222,853	344,538,031
Right of use assets	6.1	107,519,080	117,278,702
Total non-current assets		559,871,822	586,265,525
Current assets			
Inventories		16,111,239	8,150,838
Trade receivables	7	185,558,065	108,904,587
Other current assets	8	76,464,422	42,678,916
Contract assets	9	12,938,216	8,776,240
Cash and cash equivalents	10	38,759,913	83,256,552
Total current assets		329,831,855	251,767,133
TOTAL ASSETS		889,703,677	838,032,658
EQUITY AND LIABILITIES			
Equity			
Share capital	1	89,999,000	89,999,000
Accumulated losses		(3,042,385)	(16,003,184)
Total equity		86,956,615	73,995,816
Liabilities			
Non-current liabilities			
Long term accounts payable	12	137,900,001	185,012,918
Non-current portion of lease liabilities	6.2	116,068,150	132,503,001
Non-current portion of Contract liabilities		-	-
Employees' defined benefit obligation		8,191,782	8,844,000
Decommissioning provision		3,431,048	3,335,815
Total non-current liabilities		265,590,981	329,695,734
Current liabilities			
Accounts payable	12	250,788,045	187,602,588
Contract liabilities	14	34,321,497	38,979,558
Other current liabilities	13	190,935,991	134,715,550
Current portion of lease Liabilities	6.2	59,005,367	55,644,169
Provision for zakat and tax	17	2,105,181	17,399,243
Total current liabilities		537,156,081	434,341,108
Total liabilities		802,747,062	764,036,842
TOTAL EQUITY AND LIABILITIES		889,703,677	838,032,658

The accompanying notes (1) to (26) form an integral part of these Condensed Interim Financial Statements.

Yahya Al Mansour
Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Dr. Eisa Baeisa
Chairman


ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the three and nine month periods ended December 31, 2022
(Saudi Riyal)

		For The Three Months Period Ended December 31,		For The Nine Months Period Ended December 31,	
		2022 (Unaudited)	2021 (Unaudited) Reclassified (Note 24)	2022 (Unaudited)	2021 (Unaudited) Reclassified (Note 24)
	<i>Note</i>				
Revenue		164,019,230	102,511,167	452,523,404	258,325,996
Cost of revenue	15	(118,273,144)	(76,597,298)	(326,113,173)	(198,054,535)
Gross profit		45,746,086	25,913,869	126,410,231	60,271,461
Selling and marketing expenses	16	(16,330,223)	(10,264,007)	(50,019,418)	(32,774,000)
General and administrative expenses		(16,112,490)	(18,229,462)	(47,438,779)	(55,524,307)
Impairment losses on trade receivables	7	(2,824,190)	(4,147,583)	(9,496,664)	(13,119,590)
Other income		1,238,386	4,514,644	6,444,369	27,616,374
Operating profit (loss)		11,717,569	(2,212,539)	25,899,739	(13,530,062)
Finance cost		(3,723,015)	(5,158,961)	(12,938,940)	(15,629,671)
Profit (loss) before zakat and income tax		7,994,554	(7,371,500)	12,960,799	(29,159,733)
Zakat and income tax	17	-	-	-	-
Net profit (loss) for the period		7,994,554	(7,371,500)	12,960,799	(29,159,733)
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>					
Re-measurement of defined benefit obligation		-	-	-	-
Other comprehensive income for the period		-	-	-	-
Total comprehensive income (loss) for the period		7,994,554	(7,371,500)	12,960,799	(29,159,733)
Earnings (loss) per share – basic and diluted	18	0.89	(0.82)	1.44	(3.24)

The accompanying notes from (1) to (26) form an integral part of these Condensed Interim Financial Statements.


Yahya Al Mansour
Chief Executive Officer


Dr. Eisa Baeisa
Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY




(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine months period ended December 31, 2022
(Saudi Riyal)

	Share capital	Accumulated losses	Total
Balance at April 1, 2021 (Audited)	228,529,000	(116,789,640)	111,739,360
Net loss for the period	-	(29,159,733)	(29,159,733)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(29,159,733)	(29,159,733)
Balance at December 31, 2021 (Unaudited)	228,529,000	(145,949,373)	82,579,627
Balance at 1 April 2022 (Audited)	89,999,000	(16,003,184)	73,995,816
Net profit for the period	-	12,960,799	12,960,799
Other comprehensive income for the year	-	-	-
Total comprehensive income for the period	-	12,960,799	12,960,799
Balance at December 31, 2022 (Unaudited)	89,999,000	(3,042,385)	86,956,615

The accompanying notes from (1) to (26) form an integral part of these Condensed Interim Financial Statements.


Yahya Al Mansour
Chief Executive Officer


Dr. Eisa Baeisa
Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the nine months period ended December 31, 2022
(Saudi Riyal)

For The nine Months Period Ended December 31,			
		2022	2021
	Note	(Unaudited)	(Unaudited)
Cash flows from operating activities			
Net profit (loss) for the period		12,960,799	(29,159,733)
<i>Adjustments:</i>			
Depreciation and amortization	4,5,6	46,623,534	55,979,220
Loss from disposal of right of use assets		-	352,672
Impairment loss on trade receivables	7-3	9,496,664	13,119,590
Finance costs		12,938,940	15,629,671
Provision for employees' end of service benefits		941,247	885,753
Leased liabilities settlement against other income	6-2	(293,043)	(4,540,403)
		82,668,141	52,266,770
<i>Changes in working capital:</i>			
Inventories		(7,960,401)	2,407,687
Trade receivables		(86,273,694)	968,561
Prepayments and other current assets		(33,785,506)	(18,476,665)
Contract Assets		(4,038,424)	-
Accounts payable		7,385,733	(61,896,319)
Lease liabilities		7,475,696	-
Accrued expenses and other current liabilities		56,220,441	59,805,560
Contract liabilities		(4,658,061)	4,987,302
		9,558,229	40,062,896
Finance costs paid		(1,020,023)	(596,190)
Zakat paid	16-1	(15,294,062)	(8,614,621)
Employees' end of service benefits paid		(1,844,718)	(914,512)
Net cash (used in) from operating activities		(8,600,574)	29,937,573
Cash flows from investing activities			
Addition to property and equipment	4	(12,360,634)	(7,656,647)
Net cash used in investing activities		(12,360,634)	(7,656,647)
Cash flows from financing activities			
Payment of leased liabilities	6-2	(23,535,431)	(22,534,954)
Net cash used in financing activities		(23,535,431)	(22,534,954)
Net decrease / (increase) in cash and cash equivalents		(44,496,639)	(254,028)
Cash and cash equivalents at the beginning of the period		83,256,552	71,112,667
Cash and cash equivalents at the end of the period		38,759,913	70,858,639

Supplementary information for non-cash transactions:

Transfer of current portion of long-term accounts to short-term	37,669,000	-
Non-current portion of lease liabilities transferred to current portion	455,103	48,927,200
Disposal/additions to right of use assets	5,877,520	101,117,678

The accompanying notes to (26) form an integral part of these Condensed Interim Financial Statements.

Yahya bin Al Mansour
Chief Executive Officer

Dr. Eisa Baeisa
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months period ended December 31, 2022
(Saudi Riyal)

1. ORGANIZATION AND ACTIVITIES

a) General information

Etihaad Atheeb Telecommunication Company (the "Company"), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration (No. 1010263273) issued in Riyadh on 30 Safar 1430H (corresponding to 25 February 2009).

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

Company license

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, Space & Technology Commission the (CST) (formerly known as the Communications and Information Technology Commission) has extended the life of the Company's license by 15 years ending on 31 March 2049 (see Note 5.1).

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

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

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

On December 26, 2022, the Company completed the necessary treatments regarding the CST observations regarding the first phase of the network deployment obligations, in addition to completing its obligations towards 100% deployment of the network for the second phase regarding the license to use 3.5 GHz band frequencies, covering 30% of the cities under obligation by completing the process of installing and operating the 5G service towers. The Company submitted all related documentation to the CST which prove the Company's fulfillment of its obligation in accordance with the requirements of the CST. The company is still, as of the date of these condensed interim financial statements, awaiting for the CST acceptance of the Company's fulfillment regarding the observations related to the first phase, in addition to the acceptance of the company's fulfillment of its requirements for the network deployment obligations for the second phase.

The Company activity

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

The Company Share Capital

As at 31 March 2021, the authorized, issued and paid up share capital of the Company is SAR 228.529 million divided into 22.853 million shares of SAR 10 each.

On 10 October 2021, the board of directors made recommendation to the general assembly to reduce the Company's share capital from SAR 228,529,000 to SAR 89,999,000 through reducing the share capital amount by an amount of SAR 138,530,000, by way of cancellation of 13,853,000 shares.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months period ended December 31, 2022
(Saudi Riyal)

1. ORGANIZATION AND ACTIVITIES

The Company Share Capital (continued)

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

As at December 31, 2022, the authorized, issued and paid up share capital of the Company is SAR 89.999 million divided into 8.9999 million shares of SAR 10 each.

On December 19, 2021 the board of directors recommended to the Extraordinary General Assembly to increase the Company's share capital by issuing shares with a value of three hundred and fifty million (350,000,000) Saudi Riyals divided into thirty-five million (35,000,000) new ordinary shares of ten (10) Saudi Riyals per share. Its main objective after receiving the requested approval from the competent authorities is to increase the capital to pay the company's obligations and to develop and update its business systems and networks. The Company has submitted the file to the competent authorities and still waiting for the final approval as of the date of these condensed interim financial statements. On October 13, 2022 the Board of Directors issued a resolution by circulation in which it amended its recommendation to the Extraordinary General Assembly related to the share capital increment through a rights issue from SR 350,000,000 to SR 250,000,000 .

b) Going concern

These Condensed Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its liabilities under both normal and surrounding conditions.

The statement of financial position as at December 31, 2022 shows that the accumulated losses of the Company amounting to SAR 3.04 million represents (3.38%) of its share capital. Also the Company's current liabilities exceeded its current assets by SAR 207.32 million (March 31, 2022: SAR 182.57 million).

The management believes that the cash inflows, in normal course of business, will be sufficient to meet its liabilities for a period at least 12 months from the date of the Condensed Interim Financial Statements based on the following:

- In February 2021, the Company signed an agreement, with an effective date of December 31, 2020, with one of its major vendors to settle all balances and dues between the two parties which resulted in a net reduction (gain) of SAR 101 million on net balances payable to a major vendor. As of the effective date, the new balance payable to the major vendor was SAR 370 million and its payment was re-scheduled as a down-payment of SAR 125 million upon signing the agreement with the remaining amount of SAR 245 million (as shown below) to be paid in five equal installments resulting in an additional gain of SAR 36 million on rescheduling (refer Note 12).

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

- On 22 Jumada II 1443H (corresponding to 25 January 2022), the Company received an approval from Ministry of Finance on the installment related to government charges of SAR 22.23 million over 36 months starting from 20 February 2022. An amount of SAR 6.8 million was paid up to December 31, 2022.
- The Company's business is improved by sealing new sales agreements which resulted in the growth in revenue and generating net profit for the nine-month period ended 31 December 2022; by the same token, the Company signed agreements with the vendors for periods so that it goes along with the cash inflows, and accordingly generate the cash that enable the Company to manage the liquidity and meet its obligations as and when they become due.
- The management has devised plans in some 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, and the management has already considered some initiatives from this study.

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months period ended December 31, 2022
(Saudi Riyal)

2. BASIS OF PREPARATION

2-1) *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional 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 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

2-2) *Preparation of the condensed interim Financial Statements*

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.

2-3) *Use of estimates and judgments*

In preparing these condensed interim financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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.

2-4) *Functional and presentation currency*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the 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 2022, 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 which are effective from 1 April 2022 and has been explained in Company annual financial statements, but they do not have a material effect on the Company's condensed interim financial statements.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months period ended December 31, 2022
(Saudi Riyal)

4. PROPERTY AND EQUIPMENT

<u>Cost:</u>	Leasehold Improvement	Network Infrastructures	Facilities, vehicles, support & IT equipment	Capital work in progress	Total
Balance as of April 1, 2021 (Audited)	5,047,136	1,070,933,577	33,696,181	4,629,519	1,114,306,413
Additions during the year	2,462,511	15,805,030	2,485,825	-	20,753,366
Transfer during the year	-	762,379	-	(762,379)	-
Balance as of March 31, 2022 (Audited)	7,509,647	1,087,500,986	36,182,006	3,867,140	1,135,059,779
Additions during the period	-	11,781,114	579,520	-	12,360,634
Balance as of December 31, 2022 (Unaudited)	7,509,647	1,099,282,100	36,761,526	3,867,140	1,147,420,413
<u>Accumulated depreciation and impairment loss:</u>					
Balance as of April 1, 2021 (Audited)	3,693,288	963,131,650	29,857,738	-	996,682,676
Depreciation for the year	375,096	12,934,377	618,838	-	13,928,311
Balance as of March 31, 2022 (Audited)	4,068,384	976,066,027	30,476,576	-	1,010,610,987
Depreciation for the period	364,869	10,801,890	512,778	-	11,679,537
Balance as of December 31, 2022 (Unaudited)	4,433,253	986,867,917	30,989,354	-	1,022,290,524
Net book value as of March 31, 2022 (Audited)	3,441,263	111,434,959	5,705,430	3,867,140	124,448,792
Net book value as of December 31, 2022 (Unaudited)	3,076,394	112,414,183	5,772,172	3,867,140	125,129,889
- During the period, the Company capitalized the salaries of its internal technicians at SAR 1.37 million (For the year ended March 31, 2022: SAR 1.43 million).					
- Allocating depreciation to operating cost:					
	Dec 31, 2022	Dec 31, 2021			
	(Unaudited)	(Unaudited)			
Cost of Revenue	10,801,890	13,385,100			
General and Administrative	877,647	708,491			
	11,679,537	14,093,591			

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the nine months period ended December 31, 2022
(Saudi Riyal)

5. INTANGIBLE ASSETS

	License Note (5-1)	Network capacity Note (5-2)	Software	Total
Cost:				
Balance as of April 1, 2021 (Audited)	527,904,000	165,853,340	52,164,807	745,922,147
Additions during the year	-	2,528,000	-	2,528,000
Balance as of March 31, 2022 (Audited)	<u>527,904,000</u>	<u>168,381,340</u>	<u>52,164,807</u>	<u>748,450,147</u>
Balance as of December 31, 2022 (Unaudited)	<u>527,904,000</u>	<u>168,381,340</u>	<u>52,164,807</u>	<u>748,450,147</u>
Accumulated Amortization				
Balance as of April 1, 2021 (Audited)	210,943,915	117,862,603	52,092,041	380,898,559
Amortization for the year	11,320,023	11,620,768	72,766	23,013,557
Balance as of March 31, 2022 (Audited)	<u>222,263,938</u>	<u>129,483,371</u>	<u>52,164,807</u>	<u>403,912,116</u>
Amortization for the period	8,490,002	8,825,176	-	17,315,178
Balance as of December 31, 2022 (Unaudited)	<u>230,753,940</u>	<u>138,308,547</u>	<u>52,164,807</u>	<u>421,227,294</u>
Net book value as of March 31, 2022 (Audited)	<u>305,640,062</u>	<u>38,897,969</u>	<u>-</u>	<u>344,538,031</u>
Net book value as of December 31, 2022 (Unaudited)	<u>297,150,060</u>	<u>30,072,793</u>	<u>-</u>	<u>327,222,853</u>

5-1 The CST has extended the life of the Company's license by 15 years. Accordingly, from 1 December 2016, the remaining carrying value of the Company's license is now being amortized over the revised useful life of 32 years ending on 31 March 2049 (Note 1).

5-2 These represent various Indefeasible Rights of Use ("IRU") agreements signed with telecom operators in the Kingdom of Saudi Arabia. A new agreement has been reached with one of the telecom operators in respect of the indefeasible right to use FTTH in exchange for settlement agreement with this operator (Note 1).

5-3 Allocating amortization to operating cost:

	For the period ended	
	Dec 31, 2022 (Unaudited)	Dec 31, 2021 (Unaudited)
Cost of Revenue	8,825,176	8,693,667
General and Administrative	8,490,002	8,562,775
	<u>17,315,178</u>	<u>17,256,442</u>

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6 LEASES

6-1 RIGHT OF USE ASSETS

	Tower Sites*	Telecommunication Towers	Building & Warehouses	Total
<u>Cost:</u>				
Balance as of April 1, 2021 (Audited)	322,207,464	848,222	14,127,220	337,182,906
Disposals during the year*	(139,807,996)	-	-	(139,807,996)
Balance as of March 31, 2022 (Audited)	182,399,468	848,222	14,127,220	197,374,910
Additions during the period	636,098	6,190,445	5,342,511	12,169,054
Disposals during the period*	-	-	(6,291,534)	(6,291,534)
Balance as of December 31, 2022 (Unaudited)	183,035,566	7,038,667	13,178,197	203,252,430
<u>Accumulated depreciation:</u>				
Balance as of April 1, 2021 (Audited)	85,501,901	350,832	2,522,435	88,375,168
Amortization for the year	27,551,379	175,416	2,331,891	30,058,686
Disposals during the year*	(38,337,646)	-	-	(38,337,646)
Balance as of March 31, 2022 (Audited)	74,715,634	526,248	4,854,326	80,096,208
Amortization for the period	14,270,306	260,530	3,097,983	17,628,819
Disposals during the period*	-	-	(1,991,677)	(1,991,677)
Balance as of December 31, 2022 (Unaudited)	88,985,940	786,778	5,960,632	95,733,350
Net book value as of March 31, 2022 (Audited)	107,683,834	321,974	9,272,894	117,278,702
Net book value as of March 31, 2023 (Unaudited)	94,049,626	6,251,889	7,217,565	107,519,080

* This amount reflects the right of use contract signed with sites landlords, the Company canceled some tower contracts (unutilized 543 tower contracts) during the year ended 31 March 2022, the Company did not cancel any tower contracts during the nine months period ended December 31, 2022.

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6 LEASES (Continued)

Allocating amortization to operating cost:

	For the period ended	
	Dec 31, 2022 (Unaudited)	Dec 31, 2021 (Unaudited)
Cost of Revenue	14,530,836	22,929,438
General and Administrative	3,097,983	1,699,749
	17,628,819	24,629,187

6-2 Lease Liability

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

	As of	
	December 31, 2022 (Unaudited)	March 31, 2022 (Audited)
Balance at the beginning of the period/year	188,147,170	363,671,598
Additions during the period/year	12,169,054	-
Disposals during the period/year	(4,693,358)	(101,117,678)
Finance cost during the period/year	4,127,729	8,606,944
Paid during the period/year	(23,535,431)	(29,763,511)
Settlement during the period/year	(686,544)	(5,231,418)
Lease liability transferred to payables	(455,103)	(48,018,765)
Lease liability at the end of the period/year	175,073,517	188,147,170
Current portion	59,005,367	55,644,169
Non-current portion	116,068,150	132,503,001
	175,073,517	188,147,170

6-3 Amounts recognized in profit or loss

	For the nine months period ended December 31,	
	2022 (Unaudited)	2021 (Unaudited)
Amortization for the period	17,628,819	30,058,686
Interest on lease liability	4,127,729	8,606,944
	21,756,548	38,665,630

6-4 Amounts recognized in statement of cash flows

	For the nine months period ended December 31,	
	2022 (Unaudited)	2021 (Unaudited)
Total cash outflow for leases	(23,535,431)	(22,534,954)

7 TRADE RECEIVABLES

	Note	As of	
		December 31, 2022 (Unaudited)	March 31, 2022 (Audited)
Trade receivable	7.2	306,261,066	219,987,372
Less: provision for doubtful debts	7.2	(120,703,001)	(111,082,785)
		185,558,065	108,904,587

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7 TRADE RECEIVABLES (Continued)

7-1 Trade receivables include an amount of SAR 756,453 (31 March 2022: SAR 841,492) due from related parties. (Note 20).

7-2 Ageing analysis of trade receivables as follows:

	As of December 31, 2022 (Unaudited)			As of March 31, 2022 (Audited)		
	Gross Amount	Expected Credit Loss	ECL Percentage	Gross Amount	Expected Credit Loss	ECL Percentage
Aging Bracket						
Not Due	121,487,930	2,724,473	2.24%	30,397,559	1,435,153	4.72%
1 to 180 days	47,997,104	6,405,336	13.35%	67,983,382	8,290,835	12.20%
181 to 270 days	12,973,757	4,263,674	32.86%	7,193,385	2,914,619	40.52%
271 to 360 days	8,855,549	3,503,518	39.56%	7,074,453	2,267,308	32.05%
More than 360 days	114,946,726	103,806,000	90.31%	107,338,593	96,174,870	89.60%
Total	306,261,066	120,703,001		219,987,372	111,082,785	

7-3 Movement in Impairment loss is as follows:

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Opening Balance	111,082,785	103,931,807
Additions	9,620,216	7,150,978
Ending Balance	120,703,001	111,082,785

8 OTHER CURRENT ASSETS

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Advances to suppliers	56,684,131	20,695,054
Letter of guarantees margins	17,103,439	20,522,280
Advances to employees	431,150	646,863
Prepaid expenses	2,245,702	731,506
Others	-	83,213
	76,464,422	42,678,916

9 CONTRACT ASSETS

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Unbilled Revenue	13,249,546	9,211,122
Allowance for impairment	(311,330)	(434,882)
Ending Balance	12,938,216	8,776,240

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

- The movement in the provision for impairment is as follows:

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Opening Balance	434,882	-
Additions	(123,552)	434,882
Ending Balance	311,330	434,882

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10 CASH AND CASH EQUIVALENTS

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

11 STATUTORY RESERVE

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

12 ACCOUNTS PAYABLE

	As of Dec 31, 2022 (Unaudited)	As of March, 31 2022 (Audited)
Due to a major vendor	254,829,889	257,563,497
Other vendors	133,858,157	115,052,009
Balance at the end of the period/year	388,688,046	372,615,506
Current portion	250,788,045	187,602,588
Non-current portion	137,900,001	185,012,918
Balance at the end of the period/year	388,688,046	372,615,506

- Movement in non-current portion is as follows:

	Opening Balance	Major Vendor*	CST (FORMERLY CITC)**	Total
Balance at beginning of the year/period	211,583,356	172,788,978	12,223,940	185,012,918
Undiscounted balance at January 31, 2022	22,230,483	-	-	-
Discount from present value calculation	(1,602,644)	-	-	-
Transferred to short term payables	(56,410,156)	(49,000,000)	(5,557,617)	(54,557,617)
Unwinding of discount during the year/period	10,446,921	6,835,467	609,233	7,444,700
Paid during the year/period	(1,235,042)	-	-	-
Balance at end of the year/period	185,012,918	130,624,445	7,275,556	137,900,001

* In February 2021, the Company signed an agreement with a major vendor to settle all balances and dues between the two parties, which resulted in a new agreed balance due to the major vendor related to all services (Note 1).

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

13 OTHER CURRENT LIABILITIES

	As of Dec,31 2022 (Unaudited)	As of March, 31 2022 (Audited)
Government fees	99,676,245	73,819,740
Employee related expense	11,605,785	22,295,785
Voice Interconnection	12,162,305	1,145,465
Capacity lease	16,337,383	-
Electricity	579,537	528,530
Other accrued expenses	50,574,736	36,926,030
	190,935,991	134,715,550

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14 CONTRACT LIABILITIES

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Opening Balance	38,979,558	37,004,363
Additions during the period	339,896,062	311,722,600
Recognized during the period	(344,554,123)	(309,747,405)
Ending Balance	<u>34,321,497</u>	<u>38,979,558</u>

15 COST OF REVENUE

	For the nine months period ended December 31,	
Note	2022 (Unaudited)	2021 (Unaudited) Reclassified (Note 23)
Capacity lease charges	116,390,944	72,649,532
Voice interconnection charges	78,482,729	19,536,113
Depreciation and amortization	34,157,902	45,008,205
Government fees	31,914,796	22,855,975
Inventory consumption and installation	33,969,660	18,061,276
Employees' costs	17,158,346	13,626,567
Network maintenance and support	4,186,003	2,633,429
Site rentals and utilities	2,320,368	2,130,192
Other	7,532,425	1,553,246
	<u>326,113,173</u>	<u>198,054,535</u>

16 SELLING AND MARKETING EXPENSES

	For the nine months period ended December 31,	
	2022 (Unaudited)	2021 (Unaudited)
Dealers' commission	21,980,852	10,716,049
Employees' costs	19,371,525	18,382,998
Marketing and advertisement	6,429,271	2,201,129
Customer care	1,990,014	1,346,458
Other	247,756	127,366
	<u>50,019,418</u>	<u>32,774,000</u>

17 PROVISION FOR ZAKAT AND INCOME TAX

17-1 Movement in provision for zakat and income tax is as follows:

	As of Dec, 31 2022 (Unaudited)	As of March, 31 2022 (Audited)
Balance at the beginning of the period / year	17,399,243	27,398,958
Charge during the period/year	-	2,784,695
Paid during the period/year	(15,294,062)	(12,784,410)
Balance at the end of the period/year	<u>2,105,181</u>	<u>17,399,243</u>

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17 PROVISION FOR ZAKAT AND INCOME TAX (Continued)

The details of payments are as follows:

Zakat settlement payments during the period/year	12,509,367	8,339,787
Zakat paid during the period/year related to zakat charge for the years 2020 and 2021	2,784,695	4,444,623
Total payments during the period/year	15,294,062	12,784,410

17-2 Zakat and tax status

The Company has filed its Zakat and tax return with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to March 31, 2022.

- In July 2015, the ZATCA raised zakat and withholding tax (WHT) assessment for the years 2010 to 2012 amounting to SAR 17.43 million and SAR 0.83 million respectively. The Company filed an appeal with the ZATCA against the assessments in August 2015. In response to an appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued a ruling in October 2016 based on which the Company's zakat liability was reduced to SAR 6.98 million while the WHT liability remained the same at SAR 0.83 million. The Company was also liable to pay a fine of SAR 0.6 million as per the PAC ruling, on making delay in the payment of WHT.
- In December 2016, the Company filed an appeal to the Higher Appeal Committee (HAC) against the PAC ruling in relation to zakat and imposition of a delay fine on WHT. However, the Company has settled the WHT liability of SAR 0.83 million and the related fine of SAR 0.6 million with the ZATCA. In March 2022 the company received a decision on the appeal from The First Appeals Chamber for Income Tax Interventions and Disputes mentioned that some points were accepted and others were rejected, and the Company raised an appeal to the General Secretariat of Tax Committees a session date has been set for January 30, 2023.
- No zakat assessment for the year 2013 has been received from ZATCA.
- In July 2020, the ZATCA raised the zakat assessment for the year 2014 by an additional amount of SAR 5.53 million, and in December 2020, the ZATCA raised zakat and tax assessment for the fiscal years 2015, 2016, 2017, and 2018 with an additional amount of SAR 4.089 million, SAR 4.57 million, SAR nil, and SAR 18 million respectively. the Company went for a settlement with the Settlement of Zakat and Tax Disputes Committee in August 2021 and the Company attended a hearing record with the Settlement Committee, and the Settlement Committee sent the Company a proposal to pay SAR 20.85 million for the years 2014, 2015, 2016, 2017, and 2018, and the Company accepted the proposal and the Company paid the settlement amount in full over a 5 equal installments ended in December 2022.
- In October 2021 the ZATCA raised the zakat assessment for the year 2019 with an amount of zero SAR, which matched the filed form for the year,
- And, as of the date of this condensed interim financial statement, no zakat assessment for the year 2020 and the year 2021 has been received from ZATCA yet.

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

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18 EARNINGS (LOSS) PER SHARE

	For the nine months period ended	
	December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
Net profit (loss) for the period*	12,960,799	(29,159,733)
Outstanding weighted average number of shares for the period**	8,999,900	8,999,900
Basic and diluted earnings (loss) per share ***	1.44	(3.24)

* Earnings / (loss) per share is computed by dividing net profit (loss) attributable to the ordinary shareholders of the Company for the periods ended December 31, 2022 and December 31, 2021, by the weighted average number of shares outstanding during the periods then ended.

** The outstanding weighted average number of ordinary shares has been adjusted when calculating the ordinary and diluted loss per share for the six-month period ending on September 30, 2021 as a result of reducing the number of the Company's shares as the Company's share capital was reduced during the fourth quarter of the year ending March 31, 2022 (Note 1-a).

*** The company does not have any financial instruments are to be diluted.

19 COMMITMENTS AND CONTINGENT LIABILITY

Contingent liability

Letter of guarantees

The Company's has letters of guarantees amounting to SAR 50 million (March 31, 2021: SAR 50 million) outstanding 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.

CST liability

The Ministry of Finance, in its letter dated August 26, 2017 instructed the Company to pay an amount of SAR 155.7 million to CST as royalty. The Company finalized certain aspects of the mechanism for calculation of the royalty fee payable to CST and the CST issued revised invoices for royalty fees. However, the CST 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 CST.

The management believes that the actual amount payable to CST 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 January 31, 2018, the CST has revised the calculation of the royalty fee to include internet services. And the Company is in discussion with the CST to settle these amounts.

20 SEGMENTAL INFORMATION

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

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

- **Voice** comprise of local and international calls including interconnection.
- **Data** comprise of internet broadband services provided to business-to-business (B2B) and business-to-consumer (B2C).
- **Unallocated** represents others which cannot be attributed to any of the reported operating segment.
- **E-Commerce** transactions are not material during the period of this condensed interim financial statements.

The Company will continuously assess e-commerce transactions materiality.

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20 SEGMENTAL INFORMATION (Continued)

As of December 31, 2022 (Unaudited)	Voice	Data	Unallocated	Total
<u>Segment assets</u>				
Property and equipment	3,267,369	121,862,520	-	125,129,889
Intangible assets	8,544,383	318,678,470	-	327,222,853
Right of use assets	2,807,518	104,711,562	-	107,519,080
Total assets	129,700,712	760,002,965	-	889,703,677
Total liabilities	298,589,719	504,157,343	-	802,747,062
For The Three Months Period Ended Dec 31, 2022 (Unaudited)				
	Voice	Data	Unallocated	Total
<u>Segment revenue and costs</u>				
Revenue	33,107,903	130,911,327	-	164,019,230
Cost of services	(4,718,071)	(113,555,073)	-	(118,273,144)
Gross profit	28,389,832	17,356,254	-	45,746,086
Selling and marketing expenses	-	-	(16,330,223)	(16,330,223)
General and administrative expenses	-	-	(16,112,490)	(16,112,490)
Impairment loss on trade receivables	-	-	(2,824,190)	(2,824,190)
Other income, net	-	-	1,238,386	1,238,386
Finance cost, net	-	-	(3,723,015)	(3,723,015)
Net profit (loss)	28,389,832	17,356,254	(37,751,532)	7,994,554
For the nine months period ended Dec 31, 2022 (Unaudited)				
	Voice	Data	Unallocated	Total
<u>Segment revenue and costs</u>				
Revenue	104,136,255	348,387,149	-	452,523,404
Cost of services	(13,009,083)	(313,104,090)	-	(326,113,173)
Gross profit	91,127,172	35,283,059	-	126,410,231
Selling and marketing expenses	-	-	(50,019,418)	(50,019,418)
General and administrative expenses	-	-	(47,438,779)	(47,438,779)
Impairment loss on trade receivables	-	-	(9,496,664)	(9,496,664)
Other income, net	-	-	6,444,369	6,444,369
Finance cost, net	-	-	(12,938,940)	(12,938,940)
Net profit (loss)	91,127,172	35,283,059	(113,449,432)	12,960,799
As of March 31, 2022 (Audited)				
	Voice	Data	Unallocated	Total
<u>Segment assets</u>				
Property and equipment	3,249,584	121,199,208	-	124,448,792
Intangible assets	8,996,514	335,541,517	-	344,538,031
Right of use assets	3,062,360	114,216,342	-	117,278,702
Total assets	122,168,128	715,864,530	-	838,032,658
Total liabilities	284,191,001	479,845,841	-	764,036,842

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20 SEGMENTAL INFORMATION (Continued)

For The Three Months Period Ended Dec 31, 2021 (Unaudited)

	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	25,291,522	77,219,645	-	102,511,167
Cost of services	(3,055,567)	(73,541,731)	-	(76,597,298)
Gross profit	22,235,955	3,677,917	-	25,913,869
Selling and marketing expenses	-	-	(10,264,007)	(10,264,007)
General and administrative expenses	-	-	(18,229,462)	(18,229,462)
Impairment loss on trade receivables	-	-	(4,147,583)	(4,147,583)
Other income, net	-	-	4,514,644	4,514,644
Finance cost, net	-	-	(5,158,961)	(5,158,961)
Net profit (loss)	22,235,955	3,677,914	(33,285,369)	(7,371,500)

For the nine months period ended DEC 31, 2021 (Unaudited)

	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	45,896,604	212,429,392	-	258,325,996
Cost of services	(7,900,656)	(190,153,879)	-	(198,054,535)
Gross profit	37,995,948	22,275,513	-	60,271,461
Selling and marketing expenses	-	-	(32,774,000)	(32,774,000)
Impairment loss on trade receivables	-	-	(55,524,307)	(55,524,307)
General and administrative expenses	-	-	(13,119,590)	(13,119,590)
Other income, net	-	-	27,616,374	27,616,374
Finance cost, net	-	-	(15,629,671)	(15,629,671)
Net profit (loss)	37,995,948	22,275,513	(89,431,194)	(29,159,733)

Information about geographical segmentation revenues:

	For the nine months period ended	
	December 31, 2022	December 31, 2021
	(Unaudited)	(Unaudited)
Kingdom of Saudi Arabia	373,914,281	232,323,826
Outside Kingdom of Saudi Arabia	78,609,123	26,002,170
	452,523,404	258,325,996

21 RELATED PARTY TRANSACTIONS AND BALANCE

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.

A. Related party transactions:

Significant transactions entered into with related parties are as follows:

Related parties name	Relationship	Nature of transaction	For The Three Months Period Ended	
			December 31, 2022	December 31, 2021
			(Unaudited)	(Unaudited)
Bahrain Telecommunication Company	Major Shareholder	Data revenue	622,965	544,922
		Interconnection revenue	67,503	90,450
		Interconnection cost	534,962	1,760,975
Saudi Arabian Marketing and Agencies Limited*	Affiliate	Data revenue	-	-
Etihad Shams Limited Company*	Affiliate	Data revenue	-	-

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21. RELATED PARTY TRANSACTIONS AND BALANCE(Continued)

A. Related party transactions (Continued):

<u>Related parties name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	For The nine Months Period Ended	
			December 31, 2022 (Unaudited)	December 31, 2021 (Unaudited)
Bahrain Telecommunication Company	Major Shareholder	Data revenue	1,521,932	1,642,725
		Interconnection revenue	202,703	706,040
		Interconnection cost	1,809,674	2,460,952
Saudi Arabian Marketing and Agencies Limited*	Affiliate	Data revenue	-	56,464
Bithar Trading Company Limited*	Affiliate	Data revenue	-	66,051
Atheeb Saudi Intergraph Company Limited*	Affiliate	Data revenue	-	58,296
Etihad Shams Company Limited*	Affiliate	Data revenue	-	5,947

B. Related party balances:

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

<u>Due from related parties</u>	<u>Relationship</u>	As of Dec, 31 2022 (Unaudited)	As of March, 31 2022 (Audited)
Bahrain Telecommunications Company	Major Shareholder	756,453	8,614,726
		<u>756,453</u>	<u>8,614,726</u>

*The affiliates sold all of their shares in the Company during first and second quarters of year 2021; accordingly, these companies are no longer related parties after these periods.

C. Transactions with key management personnel:

Key management personnel compensation comprised of the following:

	For The nine Months Period Ended Dec 31,	
	2022 (Unaudited)	2021 (Unaudited)
Short-term employee benefits	5,674,190	6,435,814
End of service	381,983	1,261,368
	<u>6,056,173</u>	<u>7,697,182</u>

22. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

i. Financial risk management

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

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

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

Risk Management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The

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Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally from the Company's receivables, certain current assets and balances with banks.

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

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

	As of	
	December 31, 2022 (Unaudited)	March 30, 2021 (Audited)
Trade receivables (note 7)	185,558,065	108,904,587
Other current assets (note 8)	76,464,422	42,678,916
Contract assets (note 9)	12,938,216	8,776,240
Cash and cash equivalents (note 10)	38,759,913	83,256,552
	313,720,616	243,616,295

Trade receivables:

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

The aging analysis of net trade receivables at the reporting date is as follows:

<u>Dec 31, 2022 (Unaudited)</u>	<u>Government</u>	<u>Non-government</u>	<u>Total</u>
Not past due	42,681,316	76,082,142	118,763,458
Past due:			
1-180 days	-	41,591,768	41,591,768
Over 180 days	3,779,769	21,423,070	25,202,839
Total net trade receivables	46,461,085	139,096,980	185,558,065
<u>March 31, 2022 (Audited)</u>	<u>Government</u>	<u>Non-government</u>	<u>Total</u>
Not past due	2,597,533	26,364,873	28,962,406
Past due:			
1-180 days	12,190,986	47,501,561	59,692,547
Over 180 days	1,677,192	18,572,442	20,249,634
Total net trade receivables	16,465,711	92,438,876	108,904,587

Cash and cash equivalents:

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

Geographical concentration of risks of financial assets with credit risk exposure

The Company's operations are principally in the Kingdom of Saudi Arabia and hence significant exposures are within the Kingdom with the exception of its voice interconnect receivables which are geographically spread in various countries.

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Liquidity risk

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

The Company limits its liquidity risk by monitoring its funding requirements and by re-scheduling of payments to its suppliers. As at Sep 30, 2022, the Company's current liabilities exceed its current assets by SAR 207.32 million (March 31, 2022: SAR 182.57 million).

Management also closely and continuously monitors liquidity risk by conducting a regular review of available funds, current and future commitments, and operating and capital expenditures. Further, the Company monitors the actual cash flows and seeks to match the maturity dates of its financial assets and financial liabilities

Analysis of financial liabilities by remaining contractual maturities

The Company has a major payable representing 65% of total accounts payable as at Dec 31, 2022. The rest of the balances do not have significant concentration risk, with exposure spread over large number of counterparties.

The table below summarises the maturity profile of the Company's financial liabilities at Dec 31, 2022 based on contractual cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

<u>December 31, 2022 (Unaudited)</u>	<u>Within 1</u>	<u>1 to 5</u>	<u>More than 5</u>	<u>Total</u>
	<u>Year</u>	<u>Years</u>	<u>Years</u>	
Accounts payable	250,788,045	-	-	250,788,045
Contract liabilities	34,321,497	-	-	34,321,497
Long term accounts payable	-	155,027,669	-	155,027,669
Other current liabilities	190,935,991	-	-	190,935,991
Lease liability	59,005,367	108,506,653	8,173,368	175,685,388
	535,050,900	263,534,322	8,173,368	806,758,590
<u>March 31, 2022 (Audited)</u>	<u>Within 1</u>	<u>1 to 5</u>	<u>More than 5</u>	<u>Total</u>
	<u>Year</u>	<u>Years</u>	<u>Years</u>	
Accounts payable	187,602,588	-	-	187,602,588
Contract liabilities	38,979,558	-	-	38,979,558
Long term accounts payable	-	209,585,286	-	209,585,286
Other current liabilities	134,715,550	-	-	134,715,550
Lease liability	55,644,169	126,286,681	25,257,336	207,188,186
	416,941,865	335,871,967	25,257,336	778,071,168

Market risk

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

Currency risk

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

Commission rate risk

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

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ii. Fair Value levels

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

The fair value hierarchy is as follows:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** - Valuation techniques for which the lowest level 1 input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Assets and liabilities that are not measured at fair value on a recurring basis:

As of December 31, 2022 (Unaudited)				
	Book value	Fair value		
SAR		Level 1	Level 2	Level 3
Financial Liabilities				
Long term accounts payable	137,900,001			145,403,755
As of March 31, 2022 (Audited)				
	Book value	Fair value		
SAR		Level 1	Level 2	Level 3
Financial Liabilities				
Long term accounts payable	185,012,918	-	-	193,899,146

23. CAPITAL MANAGEMENT

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

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

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

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

	As of Dec 31, 2022 (Unaudited)	As of March 31, 2022 (Audited)
Total Liabilities	802,747,062	764,036,842
Less: Cash and cash equivalents	(38,759,913)	(83,256,552)
Net Liabilities	763,987,149	680,780,290
Total equity	86,956,615	73,995,816
Net debt to equity	8.79	9.20

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24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year, to enhance the comparability of information and to be more appropriate for users of Condensed Interim Financial Statements, as follows:

Statement of financial position:

For March 31, 2022 (Audited)

	Impact of reclassification		
	As previously reported	Reclassification	Reclassified
Trade Receivable	117,680,829	(9,211,124)	108,469,705
Contract Assets	-	9,211,122	9,211,122
Other current assets	50,094,283	(7,415,367)	42,678,916
Current liabilities	(188,043,443)	440,855	(187,602,588)
Contract liabilities	(43,975,550)	4,995,992	(38,979,558)
Other Current liabilities	(136,694,072)	1,978,522	(134,715,550)

- The contract assets have been separated out of the trade receivable as required by IAS 1 and IFRS 15.
- Reclassifications were made between other current assets, contract liabilities, other current liabilities, and accounts payable in order to present accurately the nature of the balances.

Statement of profit or loss:

For The nine Months Period Ended December 31, 2021 (Unaudited)

Statement of Profit or Loss and Other Comprehensive Income

	Impact of reclassification		
	As previously reported	Reclassification	Reclassified
Depreciation and Amortization	(55,979,220)	55,979,220	-
Cost of Revenue	(133,324,153)	(64,730,382)	(198,054,535)
General and Administrative Expenses	(64,275,469)	8,751,162	(55,524,307)

- Depreciation and amortization expense was reclassified by function as per IAS 1 requirements instead of by nature and accordingly affected the cost of revenue and general and administrative expenses.
- Governmental fees were previously presented within general and administrative expenses and was reclassified to cost of revenue due to its nature being directly linked with revenue.

25. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these condensed interim financial statements other than the matter mentioned above.

26. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These Condensed Interim Financial Statements were approved by the Board of Directors on 14 Rajab 1444H (Corresponding to 5 February 2023).