ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Financial Statements
For the year ended 31 March 2020
Together with Independent Auditor's Report

Crowe

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

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(A Saudi Joint Stock Company)

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Index

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global
C R License No. 323/11/148
P.O. Box 10504 Riyadh 11443
Kingdom of Saudi Arabia
Telephone: +966 11 217 5000
Facsimile : +966 11 217 6000
Email: ch@crowe.sa
www.crowe.com/sa

INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinion

We were engaged to audit the financial statements of **ETIHAD ATHEEB TELECOMMUNICATION COMPANY ("the Company")**, which comprise the statement of financial position as at 31 March 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report and their possible cumulative effect on the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Company's financial statements as at and for the year ended 31 March 2020 have been prepared on a going concern basis of accounting. However, we were unable to obtain sufficient appropriate audit evidence to enable us to conclude whether the use of the going concern assumption basis of accounting to prepare these financial statements is appropriate, due to the following factors:

(a) As disclosed in Note 2 of the financial statements, the Company's current liabilities exceeded its current assets by SAR 620.62 million as at 31 March 2020, and for the year then ended, the Company incurred a net loss of SAR 71.50 million.

(b) The Company's statement of financial position includes non-financial assets amounting to SAR 1,183.17 million as at 31 March 2020. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 31 March 2020 and hence no impairment loss has been recognized. Management's impairment assessment is highly dependent on a number of subjective judgements and assumptions about future business performance. Certain assumptions made by management in the impairment review are key judgements, including deferral of payments to key suppliers, cash flows, overall long-term growth rates and discount rate. The impairment review includes the assumption that the Company will acquire ongoing financial and technical support from its key suppliers to implement the business plan. However, as of the date of approval of the financial statements, we were unable to obtain sufficient appropriate audit evidence, including binding signed agreement with the key suppliers, confirming their continued financial and technical support, including acceptance of deferment of payments. Moreover, the business plan is highly sensitive to changes in assumptions and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.

(c) The Company has an overdue balance owed to its key supplier amounting to SAR 656.32 million as at 31 March 2020. The Company has contacted the key supplier with the intention of entering into an agreement to restructure the repayments of the amounts owed to them. The discussions with the key supplier are still ongoing.

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INDEPENDENT AUDITOR'S REPORT (continued)
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Basis for Disclaimer of Opinion (continued)

The 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 financial statements. However, we are unable to obtain sufficient appropriate audit evidence to conclude whether the use of going concern assumption basis of accounting to prepare these financial statements is appropriate as the outcome of the restructuring has yet to be satisfactorily concluded at the date of these financial statements and is inherently uncertain. If the going concern assumption basis of accounting is not appropriate and the 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 statement 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 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 business and at amounts which could differ significantly from the amounts at which they are currently recorded in the 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 financial statements.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA), the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148 ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

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

Salman B. AlSudairy
License No. 283

7 Dhul Qi'dah 1441H (June 28, 2020)
Riyadh, Kingdom of Saudi Arabia

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 March 2020
(Saudi Riyal)

	Note	31 March 2020	31 March 2019
ASSETS			
Non-current assets			
Property and equipment	5	**221,878,420**	237,790,766
Intangible assets	6	**701,015,742**	754,440,124
Right of use assets	7	**260,274,226**	--
Total non-current assets		**1,183,168,388**	992,230,890
Current assets			
Inventories	8	**3,352,483**	1,097,665
Trade receivables	9	**212,396,537**	162,913,123
Prepayments and other current assets	10	**131,461,761**	135,567,511
Cash and cash equivalents	11	**122,530,311**	97,574,234
Total current assets		469,741,092	397,152,533
TOTAL ASSETS		1,652,909,480	1,389,383,423
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**228,529,000**	472,500,000
Accumulated losses		(77,787,152)	(250,262,112)
Total equity		150,741,848	222,237,888
Liabilities			
Non-current liabilities			
Murabaha financing	13	--	7,767,053
Long term accounts payable	14	**143,946,006**	112,770,461
Lease Liabilities	19	**256,450,416**	--
Defined benefit obligation – employees' benefit	15	**8,310,000**	9,524,000
Decommissioning provisions	16	**3,094,644**	2,980,651
Deferred gain	5.1	--	53,571,450
Total non-current liabilities		**411,801,066**	186,613,615
Current liabilities			
Murabaha financing – current portion	13	**7,767,084**	31,068,184
Accounts payable	17	**805,934,288**	754,518,154
Accrued expenses and other current liabilities	18	**131,816,320**	145,560,804
Lease Liabilities – current portion	19	**106,745,471**	--
Deferred gain – current portion	5.1	--	12,857,112
Deferred income	20	**35,404,445**	33,828,708
Provision for zakat and tax	21	**2,698,958**	2,698,958
Total current liabilities		**1,090,366,566**	980,531,920
Total liabilities		**1,502,167,632**	1,167,145,535
TOTAL EQUITY AND LIABILITIES		**1,652,909,480**	1,389,383,423

The accompanying notes (1) through (35) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Fahad Al-Saneea
Vice Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2020
(Saudi Riyal)

	Note	2020	2019
Revenue	22	**339,601,054**	421,090,940
Cost of services	23	**(151,984,807)**	(285,704,304)
Gross profit		**187,616,247**	135,386,636
Selling and marketing expenses	24	**(33,575,450)**	(38,181,996)
Depreciation and amortization	5,6,7	**(122,541,293)**	(74,417,692)
Allowance for impairment in trade receivables	9	**(20,410,369)**	(24,425,669)
General and administrative expenses	25	**(64,939,933)**	(73,736,633)
Other income	26	**3,242,547**	36,943,774
Operating loss		**(50,608,251)**	(38,431,580)
Finance costs	27	**(20,999,789)**	(14,859,495)
Loss for the year		**(71,608,040)**	(53,291,075)
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of defined benefit obligation	15	**112,000**	1,076,000
Total comprehensive loss for the year		**(71,496,040)**	(52,215,075)
Loss per share – basic and diluted	28	**(3.13)**	(2.33)

The accompanying notes (1) through (35) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Fahad Al-Saneea
Vice Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020
(Saudi Riyal)

	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)
Loss for the year	--	(53,291,075)	(53,291,075)
Other comprehensive income	--	1,076,000	1,076,000
Total comprehensive loss for the year	--	(52,215,075)	(52,215,075)
Balance at 31 March 2019	472,500,000	(250,262,112)	222,237,888
Loss for the year	--	(71,608,040)	(71,608,040)
Other comprehensive income	--	112,000	112,000
Total comprehensive loss for the year	--	(71,496,040)	(71,496,040)
Reduction of share capital to absorb accumulated losses	(243,971,000)	243,971,000	--
Balance at 31 March 2020	228,529,000	(77,787,152)	150,741,848

The accompanying notes (1) through (35) form an integral part of these financial statements

Fahad Al Bawardi
Acting Chief Executive Officer

Fahad Al-Saneea
Vice Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 March 2020
(Saudi Riyal)

	Note	2020	2019
Cash flows from operating activities			
Loss for the year		(71,608,040)	(53,291,075)
Adjustments for non-cash items:			
Depreciation and amortization	5,6,7	122,541,293	74,417,692
Amortization of deferred gain	26	--	(12,857,148)
(Gain) / loss on disposal of property and equipment		(114)	(1,647)
Settlement with a vendor	26	3,195,249	--
Impairment loss on trade receivables	9	20,410,369	24,425,669
Finance costs	27	20,999,789	14,859,495
Provision for employees' end of service benefits	15	1,324,000	1,812,000
		96,862,546	49,364,986
Changes in working capital			
Inventories		(2,254,818)	508,553
Trade receivables		(69,893,783)	(18,133,019)
Prepayments and other current assets		(13,154,407)	(54,809,532)
Accounts payable		74,509,983	100,359,269
Accrued expenses and other current liabilities		(13,744,484)	14,428,529
Deferred income		1,575,737	(8,721,247)
		73,900,774	82,997,539
Finance costs paid		(2,241,811)	(2,424,716)
Employees' end of service benefits paid	15	(2,757,000)	(3,271,000)
Net cash generated from operating activities		68,901,963	77,301,823
Cash flows from investing activities			
Addition to property and equipment	5	(2,732,630)	(2,546,463)
Proceeds from the disposal of property and equipment		1,552	6,670
Net cash used in investing activities		(2,731,078)	(2,539,793)
Cash flows from financing activities			
Repayment of murabaha financing		(31,068,153)	(31,068,059)
Payment of lease liabilities	19	(10,146,655)	-
Net cash used in financing activities		(41,214,808)	(31,068,059)
Net increase in cash and cash equivalents		24,956,077	43,693,971
Cash and cash equivalents at the beginning of the year		97,574,234	53,880,263
Cash and cash equivalents at the end of the year		122,530,311	97,574,234
Supplementary information for non-cash transaction			
Impact of adoption of IFRS 16		298,234,404	--
Capital reduction		243,971,000	--
Addition to right of use assets		21,621,998	--
Disposal of right of use assets		9,108,803	--
Impact of adoption of IFRS 9		--	9,496,132

The accompanying notes (1) through (35) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Fahad Al-Saneea
Vice Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

1. ORGANIZATION AND ACTIVITIES

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.

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 Articles 150 and 224 of the new Companies' Regulation. The aforesaid reduction has been approved by shareholders in the extra ordinary general assembly meeting held on 24 April 2019.

The Board of Directors of the Company recommended to reduce the Company's share capital second time by SAR 122 million in their meeting held on 22 January 2020, in order to comply with the Articles 150 and 224 of the new Companies' Regulation. The aforesaid reduction has been approved by shareholders in the extra ordinary general assembly meeting held on 27 February 2020.

As at 31 March 2020, the authorized, issued and paid up share capital of the Company is SAR 228.529 million (31 March 2019: 472.500 million) divided into 22.8529 million shares of SAR 10 each.

b) On 2 August 2017, the Company announced that it has received a letter from CITC, dated 1 August 2017, stating that the Board of Directors of CITC, in their meeting held on 23 July 2017, has accorded first approval for the grant of the Unified License to the Company and has referred the matter to the Council of Ministers for their final approval. However, the Company has received another letter from CITC, dated 21 May 2018, stating that the Company's application for the Unified License has been rejected.

c) In June 2017, the Company won frequency spectrum, in the 700 MHz and 1800 MHz bands, in the auction organized and supervised by CITC and would be eligible for these frequencies once regulatory requirements are met. These frequencies would be required by the Company to enhance its telecommunication network once it obtains the Unified License. The total consideration payable for these frequencies was SAR 2,065 million of which 30% (equivalent to SAR 619 million) was required to be paid upfront and the remaining amount was payable in 10 equal quarterly installments. The Company intended to finance the acquisition through facilities.

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

1. ORGANIZATIONS AND ITS ACTIVITIES (CONTINUED)

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

d) In response to the spread of the Covid-19 resulting in disruptions to the social and economic activities in the markets around the world and kingdom of Saudi Arabia, the management has proactively assessed its impacts on its operations and has taken a series of preventive measures. Notwithstanding these challenges, the Company's business operations currently remain largely unaffected as they mainly provide online services and their major sales have been conducted through website. Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the reported financial results for the year ended 31 March 2020. However, the management will continue to monitor the situation closely.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

b) *Basis of measurement*

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

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

As at 31 March 2020, the Company's current liabilities exceeds its current assets by SAR 620.62 million (31 March 2019: SAR 583.38 million). Moreover, the Company has accumulated losses amounting to SAR 77.79 million as of 31 March 2020, which approximate 34.04% of the Company's share capital and the Company incurred a net loss of SAR 71.50 million for the year than ended.

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

Further, the management is also considering certain other aspects to improve the Company's performance mainly including the enhancement of the Company's existing network

infrastructure, deployment of new technologies, exploring alternative uses of the Company's frequency spectrum, and cost optimization plans.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement (continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 New standards, interpretations, and amendments adopted by the Company

The Company has adopted the following:

3.1.1 IFRS 16 – Leases

IFRS 16 supersedes 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 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

In the current year, the Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019.

The Company elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company also adopted the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases that are expiring during 2019.
- Excluded initial direct cost from measuring the right-of-use asset at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.1 IFRS 16 – Leases (continued)

Nature of the effect of adoption of IFRS 16

A. Prior to adoption of IFRS 16:

Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

In an operating lease, the leased property was not capitalized and the lease payments were recognized as operating expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued amounts were recognized under prepayments and other payables, respectively.

B. After adoption of IFRS 16:

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Company applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at 01 April 2019 with no net impact on accumulated losses. Accordingly, the comparative information is not restated.

(Saudi Riyal)

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on the financial statements

The following tables summarizes impacts of adopting IFRS 16 on the Company's financial statements:

Impact on the statement of financial position as at 31 March 2020

	Balance without adoption of IFRS 16	Adjustment IFRS 16	Balance as per Financials
ASSETS			
Non-current assets			
Property and equipment	221,878,420	--	221,878,420
Intangible assets	701,015,742	--	701,015,742
Right of use assets	--	260,274,226	260,274,226
Total non-current assets	922,894,162	260,274,226	1,183,168,388
Current assets			
Inventories	3,352,483	--	3,352,483
Trade receivables	212,396,537	--	212,396,537
Prepayments and other current assets	148,721,918	(17,260,157)	131,461,761
Cash and cash equivalents	122,530,311	--	122,530,311
Total current assets	487,001,249	(17,260,157)	469,741,092
TOTAL ASSETS	1,409,895,411	243,014,069	1,652,909,480
EQUITY AND LIABILITIES			
Equity			
Share capital	228,529,000	--	228,529,000
Accumulated losses	(34,674,474)	(43,112,678)	(77,787,152)
Total equity	193,854,526	(43,112,678)	150,741,848
Liabilities			
Non-current liabilities			
Murabaha financing	--	--	--
Long term accounts payable	143,946,006	--	143,946,006
Lease Liabilities	--	256,450,416	256,450,416
Defined benefit obligation – employees' benefit	8,310,000	--	8,310,000
Decommissioning provisions	3,094,644	--	3,094,644
Deferred gain	43,928,589	(43,928,589)	--
Total non-current liabilities	199,279,239	212,521,827	411,801,066
Current liabilities			
Murabaha financing – current portion	7,767,084	--	7,767,084
Accounts payable	805,934,288	--	805,934,288
Accrued expenses and other current liabilities	162,246,414	(30,430,094)	131,816,320
Lease Liabilities – current portion	(10,146,655)	116,892,126	106,745,471
Deferred gain – current portion	12,857,112	(12,857,112)	--
Deferred income	35,404,445	--	35,404,445
Provision for zakat and tax	2,698,958	--	2,698,958
Total current liabilities	1,016,761,646	73,604,920	1,090,366,566
Total liabilities	1,216,040,885	286,126,747	1,502,167,632
TOTAL EQUITY AND LIABILITIES	1,409,895,411	243,014,069	1,652,909,480

(Saudi Riyal)

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on statement of profit or loss and other comprehensive income for the year ended 31 March 2020

	Balance without adoption of IFRS 16	Adjustment IFRS 16	Balance as per Financials
Revenue	339,601,054	--	339,601,054
Cost of services	(182,074,494)	30,089,687	(151,984,807)
Gross profit	**157,526,560**	**30,089,687**	**187,616,247**
Selling and marketing expenses	(33,575,450)	--	(33,575,450)
Depreciation and amortization	(72,067,920)	(50,473,373)	(122,541,293)
Allowance for impairment in trade receivables	(20,410,369)	--	(20,410,369)
General and administrative expenses	(65,280,340)	340,407	(64,939,933)
Other income	12,885,408	(9,642,861)	3,242,547
Operating loss	**(20,922,111)**	**(29,686,140)**	**(50,608,251)**
Finance costs	(7,573,251)	(13,426,538)	(20,999,789)
Loss for the year	**(28,495,362)**	**(43,112,678)**	**(71,608,040)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of defined benefit obligation	112,000	--	112,000
Total comprehensive loss for the year	**(28,383,362)**	**(43,112,678)**	**(71,496,040)**

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019:

- Right-of-use assets of SAR 298,234,404 were recognized and presented separately in the statement of financial position.
- Lease liabilities of SAR 347,402,809 and presented separately in the statement of financial position.
- Prepayments of SAR 17,260,157 related to previous operating leases were reclassified to the right of use assets.
- Deferred gain of SAR 66,428,562 related to sale and leaseback of the telecommunication towers were reclassified to the right of use assets.

Impact on the statement of financial position as at 1 April 2019:

	1 April 2019
Right-of-use assets	298,234,404
Prepayments	(17,260,157)
Deferred gain	66,428,562
	347,402,809
Lease liabilities	347,402,809
	347,402,809

(Saudi Riyal)

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 March 2020:

- Depreciation expense increased by SAR 50,473,373 relating to the depreciation of right of use assets recognized.
- Rent expense decreased by SAR 30,430,094 relating to previous operating leases.
- Finance costs increased by SAR 13,426,538 relating to the interest expense on additional lease liabilities recognized.
- Amortisation of deferred gain (Other income) decreased by SAR 9,642,861.

Impact on the statement of profit or loss for the year ended 31 March 2020:

	31 March 2020
Depreciation expense	(50,473,373)
Rent expense	30,430,094
Other income	(9,642,861)
Operating loss	**(29,686,140)**
Finance costs	(13,426,538)
Loss for the year	**(43,112,678)**

Amounts recognised in the statement of financial position

As at 31 March 2020, the cost of right of use assets is SAR 260,274,226 and accumulated depreciation is SAR 50,473,373.
For the year ended 31 March 2020, the company has recognised interest expense of SAR 13,426,538 on lease liability.

Below are the new accounting policies of the Company after adoption of IFRS 16:

Leases

The Company assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Sale and leaseback of telecommunication towers

The sale and operating leaseback transaction of 500 towers have been accounted in the same way as any other operating lease that exists at the date of application.

The deferred gain on these towers have been adjusted from the right-of-use asset.

3.1.2 IFRIC 23 'Uncertainty over income tax treatments'

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1.2. IFRIC 23 'Uncertainty over income tax treatments' (continued)
accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of this clarification does not have any material impact on the financial statements during the year.

3.2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

3.2.1. Amendments to IFRS 3 – definition of a business
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

3.2.2. Amendments to IAS 1 and IAS 8 on the definition of material
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
1) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
2) clarify the explanation of the definition of material; and
3) Incorporate some of the guidance in IAS 1 about immaterial information.

3.2.3. Amendments to IFRS 9 and IFRS 7 – Interest rate benchmark reform
These amendments to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

3.3 Annual Improvements to IFRSs 2015–2017 Cycle

These improvements are effective on or after 1 January 2019.

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.

- IFRS 11,'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

- IAS 23,' Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

3.4 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost comprises the initial cost of purchasing the equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labor costs, capitalized borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 *Property and equipment (continued)*

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is charged to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. The depreciation is charged from the date the asset is available for use until the date of its disposal or de-recognition. Leased assets, if any, are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of property and equipment are as follows:

	Years
Leasehold improvements	lower of lease term or 10
Network infrastructure	4-15
Facilities, support and IT equipment	5

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

3.5 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets and is recognized in profit or loss. The amortization is charged from the date the intangible assets are available for use until the date of its disposal or de-recognition. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

The Company's intangible assets comprise of the following:

Licenses

Acquired telecommunication licenses are initially recognized at cost. Licenses are amortized on a straight line basis over their estimated useful lives from when the related networks are available for use.

Indefeasible rights of use (IRUs) – network capacity

IRUs represent the rights to use portions of the capacity of transmission cables granted for a fixed period. IRUs are recognized at cost as intangible assets when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers. hey are amortized on a straight line basis over the life of the contract.

Computer software

Computer software are initially recognized at cost and are amortized on a straight line basis over their estimated useful lives, from the date of initial recognition.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets (continued)

Useful lives

The estimated useful lives of the Company's intangible assets are as follows:

	Years
Licenses	40
Network capacity	7-15
Computer software	5-10

3.6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

3.7 Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

i) Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition. Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (continued)

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the statement of profit or loss.
Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

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

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in statement of other comprehensive income are reclassified to the statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.
Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 *Financial instruments (continued)*

Financial assets classified as FVPL (continued)

avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in the statement of profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

Investment in equity instruments designated as FVOCI
On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in statement of other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to statement of profit or loss and no impairment is recognized in income statement. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

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, lease receivables, trade receivables, as well as on loan commitments 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.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (continued)

Impairment of financial assets (continued)

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare 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 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.

Measurement and recognition of expected credit losses

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 as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the 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 statement of other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

ii) **Financial liabilities**

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method. For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in statement of other comprehensive income, unless the

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Financial liabilities (continued)

recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to statement of profit or loss.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.8 Inventories

Inventories comprise of modems, pre-paid cards, scratch cards and other telecommunication equipment, which are measured at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made, where necessary, for obsolete, slow moving and defective inventory items.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Company without any restrictions.

3.10 Defined benefit obligation – employees' benefit

The Company operates an unfunded gratuity scheme for all of its employees in accordance with the requirements of Saudi Labor Law. The Company's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods on the basis of actuarial valuation.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognizes the following changes in the defined benefits obligation in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation has been performed by a qualified actuary using the projected unit credit method. The most recent actuarial valuation was performed on 31 March 2020.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions

(i) Decommissioning provisions

The provision for decommissioning cost arises on construction of networking sites. A corresponding asset is recognized in property and equipment upon initial recognition of the provision. Dismantling costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

(ii) General

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the profit or loss account.

3.12 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue recognition (continued)

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Significant accounting judgements and estimates

The following is a description, accounting policies and significant judgements of the principal activities from which the Company generates revenue:

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.

Installation and set-up fee revenue
The B2C services provided by the Company has onetime 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. Hence, revenue is recognized over the average contract life.

Customer acquisition cost and contract fulfillment
The Company incurs costs that are solely incremental to
- obtaining contracts with customers (i.e. commission, sales incentives etc.)
- fulfilling the obligations under the contracts with customers (i.e. sub-contractor costs) and that would not otherwise be incurred.

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.

3.13 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales, selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

3.14 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange differences arising on translations are recognized in the profit or loss account.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Income Tax (GAZT). The Company's zakat and income tax is charged to the statement of profit or loss. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the Zakat regulations.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Additional Zakat and income tax liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company has not recognized any deferred tax asset or liability as the timing differences are not material.

3.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.17) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed by the Company's Chief Operating Decision Maker "CODM" to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in conformity with IFRSs as endorsed in kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The useful life of each of the Company's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

Provision for impairment of accounts receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Defined benefits obligation

The cost of defined benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Contingencies

The Company is currently involved in certain legal proceedings. Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Company's defense in these matters and are based upon the probability of potential results. The Company's management currently believes that these proceedings will not have a material effect on the financial statements. It is possible, however, that future results of operations could be materially affected depending on the final outcome of the proceedings.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Revenue

a) Identifying performance obligations in a bundled sale of devices and services

The Company analyses whether devices and services are capable of being distinct or not. The Company provides services that are either sold separately or bundled together with the sale of devices to a customer.

b) Consideration of significant financing component in a contract

The Company analyses significant financing component in a contract where payment terms are exceeding more than one year for the date of services rendered. In determining the interest to be applied to the amount of consideration, the Company uses discount rate as appropriate in the circumstances.

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5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
Cost:						
Balance at 01 April 2018	3,670,619	1,058,203,401	2,663,250	32,742,076	4,674,519	1,101,953,865
Additions during the year	--	2,516,521	--	29,942	--	2,546,463
Disposals during the year	--	--	--	(11,327)	--	(11,327)
Transfers during the year	--	45,000	--	--	(45,000)	--
Balance at 31 March 2019	3,670,619	1,060,764,922	2,663,250	32,760,691	4,629,519	1,104,489,001
Additions during the year	--	2,732,630	--	--	--	2,732,630
Disposals during the year	--	--	--	(7,880)	--	(7,880)
Balance at 31 March 2020	**3,670,619**	**1,063,497,552**	**2,663,250**	**32,752,811**	**4,629,519**	**1,107,213,751**
Accumulated depreciation:						
Balance at 01 April 2018	3,670,619	813,446,258	601,536	27,996,780	--	845,715,193
Charge for the year	--	19,787,035	300,752	901,559	--	20,989,346
Eliminated on disposals	--	--	--	(6,304)	--	(6,304)
Balance at 31 March 2019	3,670,619	833,233,293	902,288	28,892,035	--	866,698,235
Charge for the year	--	18,007,091	46,869	589,578	--	18,643,538
Eliminated on disposals	--	--	--	(6,442)		(6,442)
Balance at 31 March 2020	**3,670,619**	**851,240,384**	**949,157**	**29,475,171**	--	**885,335,331**
Net book value:						
At 31 March 2020	--	**212,257,168**	**1,714,093**	**3,277,640**	**4,629,519**	**221,878,420**
At 31 March 2019	--	227,531,629	1,760,962	3,868,656	4,629,519	237,790,766

5.1 On 30 January 2017, the Company entered into an agreement with STC for the sale of the passive structure of 500 telecommunication towers against total consideration of SAR 230 million. The legal formalities in respect of the transfer of the control and possession of the towers, were finalized during the prior year. Accordingly, network infrastructure costing SAR 104.1 million and having net book value of SAR 42.1 million has been derecognized in these financial statements. Further, out of the total gain of SAR 187.9 million arising from the transaction, an amount of SAR 90 million has been deferred and is included in deferred gain in the statement of financial position under non-current liabilities, while the remaining amount of SAR 97.9 million has been recognized in other income. simultaneously, the Company has also signed a site sharing agreement with STC for leasing back of 1/3rd of the usable space on each tower sold to STC, for a period of 7 years. On 1 April 2019, deferred gain has been netted off from the right-of-use asset as per the requirement of IFRS 16 (see note 3.1.1).

5. PROPERTY AND EQUIPMENT (CONTINUED)

5.2 Impairment test

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

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

	Percentage
Discount rate	10%
Terminal growth rate	2%

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

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

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

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6. INTANGIBLE ASSETS

	License	Network capacity (note 6.2)	Software	Total
Cost:				
Balance at 1 April 2018	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the year	--	--	--	--
Balance at 31 March 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the year	--	--	--	--
Balance at 31 March 2020	**527,904,000**	**580,929,926**	**52,164,807**	**1,160,998,733**
Accumulated amortization:				
Balance at 1 April 2018	176,983,904	129,744,800	46,401,559	353,130,263
Charge for the year	11,320,004	39,311,617	2,796,725	53,428,346
Balance at 31 March 2019	188,303,908	169,056,417	49,198,284	406,558,609
Charge for the year	11,320,004	39,307,652	2,796,726	53,424,382
Balance at 31 Year 2020	**199,623,912**	**208,364,069**	**51,995,010**	**459,982,991**
Net book value:				
At 31 March 2020	**328,280,088**	**372,565,857**	**169,797**	**701,015,742**
At 31 March 2019	339,600,092	411,873,509	2,966,523	754,440,124

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.

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7. RIGHT OF USE ASSETS

	Tower Sites	Telecommunication Towers	Warehouses	Total
Cost:				
Balance at 1 April 2019	–	–	–	–
Impact of adoption of IFRS 16	296,388,205	848,222	997,977	298,234,404
Additions during the year	21,621,998	–	–	21,621,998
Disposals during the year	(9,108,803)	–	–	(9,108,803)
Balance at 31 March 2020	**308,901,400**	**848,222**	**997,977**	**310,747,599**
Accumulated depreciation:				
Balance at 1 April 2019	--	--	--	--
Charge for the year	49,850,223	175,416	447,734	50,473,373
Balance at 31 March 2020	**49,850,223**	**175,416**	**447,734**	**50,473,373**
Net book value:				
At 31 March 2020	**259,051,177**	**672,806**	**550,243**	**260,274,226**

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8. INVENTORIES

	Note	31 March 2020	31 March 2019
Customer Premises Equipment and USB Dongles		15,470,869	13,383,077
Stores and spares		1,660,865	1,298,895
Prepaid cards		171,261	366,205
		17,302,995	15,048,177
Provision for obsolete and slow moving inventories	8.1	(13,950,512)	(13,950,512)
		3,352,483	1,097,665

8.1 Movement in provision for obsolete and slow moving inventories is as follows:

	31 March 2020	31 March 2019
Balance at beginning of the year	13,950,512	13,649,362
Charge / Reclassification for the year	–	301,150
Balance at end of the year	13,950,512	13,950,512

9. TRADE RECEIVABLES

	Note	31 March 2020	31 March 2019
Trade receivables	9.1	298,120,210	228,226,427
Allowance for impairment	9.2	(85,723,673)	(65,313,304)
		212,396,537	162,913,123

9.1 Trade receivables include an amount of SAR 44,725,551 (31 March 2019: SAR 33,746,093) due from related parties. (Note 31)

9.2 Movement in Impairment loss is as follows:

	31 March 2020	31 March 2019
Balance at beginning of the year	65,313,304	31,391,503
Impact of adoption of IFRS 9	–	9,496,132
Charge for the year	20,410,369	24,425,669
Balance at end of the year	85,723,673	65,313,304

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 March 2020	31 March 2019
Prepayments		8,527,631	3,391,535
Receivable from STC	10.1	97,800,000	97,800,000
Margins held by banks against letters of guarantee issued		14,004,271	9,477,121
Value Added Tax refundable – net		5,475,725	13,036,684
Advances to suppliers		2,706,744	2,615,697
Advances to employees		1,071,997	1,024,544
Other receivables		1,875,393	8,221,930
		131,461,761	135,567,511

10.1 This represents receivable from STC in respect of rendering of marketing support services (see note 26.1).

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11. CASH AND CASH EQUIVALENTS

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

12. 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 is in losses.

13. MURABAHA FINANCING

This represents murabaha financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission of 1.75% per annum. The Company is to repay the outstanding balance in 1 equal quarterly installments ending April 2020.

	31 March 2020	31 March 2019
Current portion	7,767,084	31,068,184
Non-current potion	--	7,767,053
	7,767,084	38,835,237

14. LONG TERM ACCOUNTS PAYABLE

This represents payable to STC in respect of the FTTH IRU agreement and LTE payment agreement. The FTTH IRU payable has been discounted to its present value using the effective interest rate.

The movement in total accounts payable pertaining to FTTH IRU is as follows:

	31 March 2020	31 March 2019
Balance at the beginning of the year	223,832,976	213,516,948
Additions during the year	--	--
Unwinding of discount for the year	4,764,707	10,316,028
Balance at the end of the year	228,597,683	223,832,976

The movement in total accounts payable pertaining to LTE is as follows:

	Note	31 March 2020	31 March 2019
Balance at the beginning of the year		--	--
Reschedule during the year	14.1	215,060,346	--
Additions during the year		11,159,514	--
Payments during the year		(43,750,983)	
Balance at the end of the year		182,468,877	--

Non-current portion of the total accounts payable

	31 March 2020	31 March 2019
Non-current portion – FTTH	–	112,770,461
Non-current portion – LTE	143,946,006	–
Balance at the end of the year	143,946,006	112,770,461

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

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15. DEFINED BENEFIT OBLIGATION – EMPLOYEES' BENEFIT

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

	31 March 2020	31 March 2019
Balance at beginning of the year	9,524,000	11,628,000
Current service cost	**1,324,000**	**1,812,000**
Interest cost	**331,000**	431,000
Amount recognized in profit or loss account	**1,655,000**	**2,243,000**
Re-measurement loss recognized in other comprehensive income *(note 15.2)*	**(112,000)**	(1,076,000)
Benefits paid during the year	(2,757,000)	(3,271,000)
Balance at the end of the year	8,310,000	9,524,000

15.2 Re-measurements (loss) / gain recognized in other comprehensive income are as follow:

	31 March 2020	31 March 2019
Gain resulting from the change in financial assumptions	**140,000**	1,223,000
Gain resulting from the change in demographic assumptions	–	–
(loss) / Gain resulting from Experience Adjustments	(28,000)	(147,000)
Actuarial gains and losses	112,000	1,076,000

15.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 March 2020	31 March 2019
Key actuarial assumptions		
Discount rate used	3.80%	3.50%
Future growth in salary	0.50%	0.50%
Demographic assumptions		
Retirement Age	60 years	60 years

15.4 Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 March 2020	
	Increase	Decrease
Discount rate (1% movement)	(7,878,000)	(8,801,000)
Future salary growth (1% movement)	(8,813,000)	(7,860,000)

15.5 Risks associated with defined benefit plans

Longevity risks:
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:
The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

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16. DECOMMISSIONING PROVISIONS

	Note	31 March 2020	31 March 2019
Balance at the beginning of the year		**2,980,651**	2,870,856
Unwinding of discount for the year	27	**113,993**	109,795
Balance at the end of the year		**3,094,644**	2,980,651

17. ACCOUNTS PAYABLE

	Note	31 March 2020	31 March 2019
Trade payables	17.1	**538,813,734**	643,455,639
Current portion of long term accounts payable		**267,120,554**	111,062,515
		805,934,288	754,518,154

17.1 Trade payables include an amount of SAR 30,463,525 (March 2019: SAR 28,760,547) due to related parties (Note 31).

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	31 March 2020	31 March 2019
Government fees	18.1	**78,804,027**	66,029,531
Capacity lease		**14,837,736**	29,575,070
Voice interconnection		**5,198,196**	23,528,013
Electricity		**6,542,512**	4,313,000
Employees' related expenses		**9,760,634**	6,857,101
Others		**16,673,215**	15,258,089
		131,816,320	145,560,804

18.1 This represents amounts accrued in respect of royalty fees payable to CITC. As more fully explained in note 29a.

19. LEASE LIABILITIES

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

	31 March 2020
Liability	
Balance at the beginning of the year	--
Impact of adoption of IFRS 16	**347,402,809**
Addition during the year	**21,621,998**
Cancellation for the year	**(9,108,803)**
Finance cost	**13,426,538**
Paid during the year	**(10,146,655)**
Lease liability at the end of the year	**363,195,887**
Lease liability - current positon	**106,745,471**
Lease liability - non-current positon	**256,450,416**

Expenses relating to short-term and low-value leases are SAR 97.09 million and SAR Nil million respectively.

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20. DEFERRED INCOME

This represent amounts billed/collected in advance from customers and will be recognized as revenue over the service period.

21. PROVISION FOR ZAKAT AND TAX

The balance of zakat and tax provision as at March 31,2020 amounted to SAR 2,698,958 (2019: SAR 2,698,958).

21.1 Computation of Zakat and tax

	31 March 2020	31 March 2019
Adjusted loss		
Net loss for the year	(71,608,040)	(53,291,075)
Adjustments: Provisions and others	19,422,362	(5,635,401)
Adjusted loss for the year	(52,185,678)	(58,926,476)
Saudi shareholders' share of adjusted loss @ 96%	(50,098,251)	(56,569,417)
Additions		
Share capital	228,529,000	472,500,000
Murabaha financing	--	38,835,171
Long term payables	143,946,006	112,770,461
Provisions	89,919,242	90,994,011
Lease liabilities	363,195,887	--
	825,590,135	715,099,643
Deductions		
Accumulated losses at beginning of year	(250,262,112)	(250,262,112)
Net book value of property and equipment at end of year	(1,183,168,388)	(474,490,091)
	(607,840,365)	(9,652,560)
Share of Saudi shareholders @ 96%	(583,526,750)	(9,266,458)
Saudi shareholders' share of adjusted loss	(50,098,251)	(56,569,417)
Zakat base	(633,625,001)	(65,835,875)
Zakat charge for the year	--	--

during 2019, zakat is payble of 2.5% of which higher of zakat base and adjusted net income attributable to shareholders

during 2020, zakat is payble of 2.57768% of zakat base after deducting adjusted net income and 2.5% of adjusted net income.

21.2 No provision for Zakat and tax has been recognized due to negative Zakat base and tax losses during the year.

21.3 Zakat and tax status

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

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

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

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

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22. REVENUE

	31 March 2020	31 March 2019
Usage and activation revenue	268,390,339	321,479,982
Voice interconnection revenue	71,210,715	99,610,958
	339,601,054	421,090,940

23. COST OF SERVICES

	31 March 2020	31 March 2019
Capacity lease charges	93,339,582	115,376,989
Voice interconnection charges	24,455,483	71,994,515
Site rentals and utilities	1,411,180	53,992,155
Inventory consumption and installation	4,516,215	5,899,929
Network maintenance and support	10,472,713	12,389,996
Government fees	694,372	8,554,316
Employees' costs	14,639,071	15,675,776
Other	2,456,191	1,820,628
	151,984,807	285,704,304

24. SELLING AND MARKETING EXPENSES

	31 March 2020	31 March 2019
Employees' costs	16,598,775	21,922,068
Dealers' commission	14,581,145	13,769,171
Customer care	2,095,866	2,290,309
Point of display and flagship rental	69,231	79,252
Other	230,433	121,196
	33,575,450	38,181,996

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 March 2020	31 March 2019
Government fees	29a	21,738,329	21,252,904
Employees' costs		22,903,937	33,291,076
Professional and consultancy charges		1,400,815	2,901,309
Office rent		3,749,220	3,749,220
Network maintenance and support		5,034,395	6,836,093
Medical, visa and iqama charges		2,868,664	2,892,716
Utilities charges		1,816,803	415,826
Computer accessories and software		107,518	107,196
Other		5,320,252	2,290,293
		64,939,933	73,736,633

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26. OTHER INCOME

	Note	31 March 2020	31 March 2019
Marketing support income	26.1	--	24,000,000
Amortization of deferred gain		--	12,857,148
Settlement with a vendor	26.2	**3,195,249**	--
Others		**47,298**	86,626
		3,242,547	36,943,774

26.1 The Company executed various marketing agreements with STC through which the Company sells business sector services of STC to some of its existing and / or new customers especially to the small and medium sized enterprises. On 30 January 2017, the Company signed an addendum to the agreement whereby STC has extended the marketing agreements with the Company for a term of 24 months ending September 2018, and has increased the value of the agreements by SAR 96 million. No addendum regarding the marketing support is signed with STC subsequent to September 2018. Hence, no marketing support income has been recognised after September 2018.

26.2 This constitutes early payment discount earned by making prompt payment to vendor of the Company.

27. FINANCE COSTS

	Note	31 March 2020	31 March 2019
Interest cost on lease liabilities	19	**13,426,538**	--
Unwinding of discount on long term liability	14	**4,764,707**	10,316,028
Murabaha financing costs		**1,047,355**	2,316,378
Net interest on defined benefit liability	15.1	**331,000**	431,000
Guarantee fee to the founding shareholders		**121,740**	176,106
Unwinding of provision for dismantling cost	16	**113,993**	109,795
Other		**1,194,456**	1,510,188
		20,999,789	14,859,495

28. LOSS PER SHARE-BASIC AND DILUTED

	Note	31 March 2020	31 March 2019
Loss for the year		(71,608,040)	(53,291,075)
Weighted average number of shares for the year		22,852,900	22,852,900
Basic and diluted loss per share	28.1	(3.13)	(2.33)

28.1 Loss per share is computed by dividing net loss attributable to the ordinary shareholders of the Company for the years ended 31 March 2020 and 31 March 2019, by the weighted average number of shares outstanding during the year ended 31 March 2020.

28.2 The weighted average number of shares for the year ended 31 March 2020 and 31 March 2019 have been arrived by taking the effect of reduction in the share capital from the beginning of the earliest period presented (i.e. 1 April 2018) in order to comply with the requirements of IAS 33.

Number of issued shares on 1 April 2018	47,250,000
Number of shares cancelled	(24,397,100)
Weighted average number of shares on 1 April 2018	22,852,900

29. CONTINGENCIES AND COMMITMENTS

a) *Contingencies*

Letter of guarantees

The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2019: 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 58.5 million pertaining to the various vendors.

30. SEGMENTAL INFORMATION

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

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

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

(Saudi Riyal)

30. SEGMENTAL INFORMATION (CONTINUED)

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

	For the year ended 31 March 2020			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	36,410,434	303,190,620	--	339,601,054
Cost of services	(18,268,454)	(133,716,353)	--	(151,984,807)
Selling and marketing expenses	--	--	(33,575,450)	(33,575,450)
Depreciation and amortization	(1,663,321)	(120,877,972)	--	(122,541,293)
Allowance for impairment in trade receivables	--	--	(20,410,369)	(20,410,369)
General and administrative expenses	--	--	(64,939,933)	(64,939,933)
Other income	--	--	3,242,547	3,242,547
Financial charges	--	--	(20,999,789)	(20,999,789)

	As at 31 March 2019			
	Voice	Data	Unallocated	Total
Segment assets				
Property and equipment	6,209,149	231,581,617	--	237,790,766
Intangibles	19,699,802	734,740,322	--	754,440,124

	For the year ended 31 March 2019			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue	79,028,033	342,062,907	--	421,090,940
Cost of services	(159,285,815)	(126,418,489)	--	(285,704,304)
Selling and marketing expenses	(763,640)	(37,418,356)	--	(38,181,996)
Depreciation and amortization	(1,943,181)	(72,474,511)	--	(74,417,692)
Allowance for impairment in trade receivables	(488,513)	(23,937,156)	--	(24,425,669)
General and administrative expenses	--	--	(73,736,633)	(73,736,633)
Other income	--	--	36,943,774	36,943,774
Financial charges	--	--	(14,859,495)	(14,859,495)

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.

(Saudi Riyal)

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant transactions entered into with related parties are as follows:

Related parties	*Relationship*	*Nature of transaction*	For the year ended 31 March 2020	For the year ended 31 March 2019
Atheeb Maintenance and Services	Shareholder	Data revenue	81,275	60,533
Atheeb Saudi Intergraph Company Limited	Affiliate	Data revenue	222,659	219,920
Bahrain Telecommunication Company	Shareholder	Data revenue	6,104,590	8,988,317
		Interconnection revenue	3,279,321	3,063,191
		Interconnection cost	1,499,580	1,902,055
Bithar Trading Company Limited	Shareholder	Data revenue	412,978	311,935
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	1,162,863	3,226,022
Etihad Shams Company Limited	Affiliate	Data revenue	31,017	39,452
Founding shareholders	Shareholder	Guarantee fee	121,740	176,106
Key management personnel		Salaries and benefits	1,731,000	2,304,000
Board of Directors		Expenses	221,528	94,933

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

Due from related parties	*Relationship*	31 March 2020	31 March 2019
Bahrain Telecommunications Company	Shareholder	40,168,637	30,784,726
Bithar Trading Company Limited	Shareholder	458,229	132,695
Saudi Arabian Marketing and Agencies Limited	Affiliate	3,866,554	2,709,334
Atheeb Saudi Intergraph Company Limited	Shareholder	148,391	56,990
Atheeb Maintenance and Services	Shareholder	80,588	39,738
Etihad Shams Company Limited	Affiliate	3,152	22,610
		44,725,551	33,746,093

Due to related parties	*Relationship*	31 March 2020	31 March 2019
Bahrain Telecommunications Company	Shareholder	28,573,852	26,912,022
Bithar Trading Company Limited	Shareholder	51,525	20,625
Traco Company Trading and Contracting Company	Shareholder	924,313	913,075
Saudi Internet Company Limited	Shareholder	212,710	256,780
Bithar Communications & Information Technology Company Limited	Shareholder	265,210	256,780
Atheeb Maintenance and Services Company Limited	Shareholder	265,210	256,780
Al Nahla Trading and Contracting Company Limited	Shareholder	170,705	144,485
		30,463,525	28,760,547

(Saudi Riyal)

32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

i. 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.

ii. Financial risk management

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

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

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

Risk Management framework

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors 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.

	31 March 2020	31 March 2019
Trade receivables *(note 9)*	**212,396,537**	162,913,123
Other current assets *(note 10)*	**119,155,389**	128,535,735
Cash at bank *(note 11)*	**122,530,311**	97,574,234
	454,082,237	389,023,092

(Saudi Riyal)

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

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 ageing analysis of trade receivables that were not impaired at the reporting date are as follows:

2020	Government	Non-government	Total
Neither past due nor impaired	2,525,551	90,768,506	93,294,057
Past due but not impaired:			
0-180 days	11,083,805	49,640,095	60,723,900
Over 180 days	14,534,147	43,844,433	58,378,580
Total trade receivables	28,143,503	184,253,034	212,396,537

2019	Government	Non-government	Total
Neither past due nor impaired	2,102,884	56,812,324	58,915,208
Past due but not impaired:			
0-180 days	10,474,147	53,048,746	63,522,893
Over 180 days	7,404,926	33,070,096	40,475,022
Total trade receivables	19,981,957	142,931,166	162,913,123

The Company believes that unimpaired amounts that are past due by more than 180 days are still collectible in full based on historical behavior and extensive analysis of customers' credit risk.

Cash at bank:

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. However, the Company's management believes that interconnect receivables are not impaired as the Company regularly transacts business with these parties.

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

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 deferral of payments to its key suppliers. As at 31 March 2020, the Company's current liabilities exceeds its current assets by SAR 657 million (31 March 2019: SAR 583 million).

Analysis of financial liabilities by remaining contractual maturities

The Company has 3 major payables representing 89% of total accounts payable as at 31 March 2020. 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 31 March 2020 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.

2020	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*No fixed Maturity*	*Total*
Murabaha Financing	7,767,084	--		--	7,767,084
Accounts payable	805,934,288	--		--	805,934,288
Long term accounts payable	--	--	143,946,006	--	143,946,006
Accrued expenses and other current liabilities	131,816,320	--		--	131,816,320
	945,517,692	--	143,946,006	--	1,089,463,698

2019	*Within 3 Months*	*3 to 12 Months*	*1 to 5 years*	*No fixed Maturity*	*Total*
Murabaha Financing	7,767,040	31,068,197	--	--	38,835,237
Accounts payable	754,518,154	--	--	--	754,518,154
Long term accounts payable	--	--	112,770,461	--	112,770,461
Accrued expenses and other current liabilities	145,560,804	--	--	--	145,560,804
	907,845,998	31,068,197	112,770,461	--	1,051,684,656

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

Market risk

Market risk is the changes in market prices, such as foreign exchange rates and interest rates which will affects 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.

Sensitivity analysis

Reasonably possible change would have affected the finance charges by the amounts shown below.

	31 March 2020	
	Increase	Decrease
Special commission rate (0.25% movement)	67,997	(67,997)

33. 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, comprising Murabaha Financing and long term accounts payable, including the current portions, less cash and cash equivalents. Adjusted equity comprises all components of equity.

(Saudi Riyal)

33. CAPITAL MANAGEMENT (CONTINUE)

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

	31 March 2020	31 March 2019
Loan and notes payables	**165,816,692**	179,666,419
Less: Cash and cash equivalents	**(122,530,311)**	(97,574,234)
Net debts	**43,286,381**	82,092,185
Total equity	**150,741,848**	222,237,888
Net debt to equity	**0.29**	0.37

34. SUBSEQUENT EVENT

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 7 Dhul Qi'dah 1441H (June 28, 2020).