ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Financial Statements
For the year ended 31 March 2019
Together with
Independent Auditor's Report

Crowe

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED March 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Index

Crowe

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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 2019, 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 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 2019 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 583.38 million as at 31 March 2019, and for the year then ended, the Company incurred a net loss of SAR 52.22 million.

(b) The Company's statement of financial position includes non-financial assets amounting to SAR 992.23 million as at 31 March 2019. There was a significant change in the market whereby the Communication and information Technology Commission ("industry regulator") awarded a unified telecommunications concession to mobile telecommunications network operators. However, the industry regulator did not award the unified license to the Company. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 31 March 2019 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 the revenue and the operating cost growth rates and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.

(c) The Company has an overdue balance owed to its key supplier amounting to SAR 644.52 million as at 31 March 2019. 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 Statements of Financial Position. If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of 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.

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

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
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ترخيص رقم ٣٢٣ ١١ ١٤٨
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Al Azem, Al Sudairy, Al Shaikh & Partners
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Salman B. AlSudairy
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30 Rabi Al-awal 1441H (November 27, 2019)
Riyadh, Kingdom of Saudi Arabia

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

ASSETS	Note	31 March 2019	31 March 2018
Non-current assets			
Property and equipment	7	237,790,766	256,238,672
Intangibles	8	754,440,124	807,868,470
Total non-current assets		992,230,890	1,064,107,142
Current assets			
Inventories	9	1,097,665	1,606,218
Trade receivables	10	162,913,123	178,701,905
Prepayments and other current assets	11	135,567,511	94,960,655
Cash and cash equivalents	12	97,574,234	53,880,263
Total current assets		397,152,533	329,149,041
TOTAL ASSETS		1,389,383,423	1,393,256,183
EQUITY AND LIABILITIES			
Equity			
Share capital		472,500,000	472,500,000
Accumulated losses		(250,262,112)	(188,550,905)
Total equity		222,237,888	283,949,095
Liabilities			
Non-current liabilities			
Murabaha Financing	13	7,767,053	38,835,177
Long term accounts payable	14	112,770,461	183,204,448
Defined benefit obligation – employees' benefit	15	9,524,000	11,628,000
Decommissioning provisions	16	2,980,651	2,870,856
Deferred gain	7.1	53,571,450	66,428,598
Total non-current liabilities		186,613,615	302,967,079
Current liabilities			
Murabaha Financing – current portion	13	31,068,184	31,068,119
Accounts payable – short term	17	754,518,154	586,033,590
Accrued expenses and other current liabilities	18	145,560,804	131,132,275
Deferred gain – current portion	7.1	12,857,112	12,857,112
Deferred income	19	33,828,708	42,549,955
Provision for Zakat and tax	20	2,698,958	2,698,958
Total current liabilities		980,531,920	806,340,009
Total liabilities		1,167,145,535	1,109,307,088
TOTAL EQUITY AND LIABILITIES		1,389,383,423	1,393,256,183

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

Fahad Al Bawardi
Acting Chief Executive Officer

Husam Sadagah
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 2019
(Saudi Arabian Riyals)

	Note	Share capital	Accumulated losses	Total equity
Balance at 01 April 2017		**1,575,000,000**	**(1,254,403,543)**	**320,596,457**
Reduction of share capital to absorb losses		(1,102,500,000)	1,102,500,000	--
Profit for the year		--	(40,261,565)	(40,261,565)
Other comprehensive loss		--	3,614,203	3,614,203
Total comprehensive loss for the year		--	(36,647,362)	(36,647,362)
Balance at 31 March 2018		**472,500,000**	**(188,550,905)**	**283,949,095**
Impact of adoption of IFRS 9	5	--	(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 income for the year		--	(52,215,075)	(52,215,075)
Balance at 31 March 2019		**472,500,000**	**(250,262,112)**	**222,237,888**

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

Fahad Al Bawardi
Acting Chief Executive Officer

Husam Sadagah
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 2019
(Saudi Arabian Riyals)

	Note	For the year ended 31 March 2019	31 March 2018
Cash flows from operating activities			
Loss for the year		(53,291,075)	(40,261,565)
Adjustments for:			
Depreciation and amortization	7,8	74,417,692	90,998,243
Gain on disposal of property and equipment	25	--	(97,920,156)
Amortization of deferred gain on disposal of property and equipment	25	(12,857,148)	(10,714,290)
Impairment losses on trade receivable	10	24,425,669	14,961,107
Finance costs	26	2,965,511	20,393,476
Provision for employees' end of service benefits	15	1,812,000	2,174,003
		37,472,649	(20,369,182)
Changes in working capital			
Inventories		508,553	6,722,863
Trade receivables		(18,133,019)	(70,089,973)
Prepayments and other current assets		(54,809,532)	(56,745,817)
Accounts payable		112,253,253	227,857,743
Accrued expenses and other current liabilities		14,428,529	(23,870,244)
Deferred income		(8,721,247)	(9,861,605)
		82,999,186	53,643,785
Finance costs paid		(2,424,716)	(3,235,891)
Employees' end of service benefits paid	15	(3,271,000)	(799,000)
Net cash generated from operating activities		77,303,470	49,608,894
Cash flows from investing activities			
Additions to property and equipment		(2,541,440)	(5,608,790)
Addition to intangibles		--	(61,745,249)
Net cash used in investing activities		(2,541,440)	(67,354,039)
Cash flows from financing activities			
Repayment of Murabaha Financing		(31,068,059)	(31,068,132)
Net cash used in financing activities		(31,068,059)	(31,068,132)
Net decrease in cash and cash equivalents		43,693,971	(48,813,277)
Cash and cash equivalents at the beginning of the year		53,880,263	102,693,540
Cash and cash equivalents at the end of the year		97,574,234	53,880,263
Supplementary information for non-cash transaction			
Impact of adopted IFRS 9	5	9,496,132	-

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

Fahad Al Bawardi
Acting Chief Executive Officer

Husam Sadagah
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

1. ORGANIZATION AND ACTIVITIES

General information

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

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034). On 30 Rabi'I 1438H (corresponding to 29 December 2016), the Communications and Information Technology Commission (CITC) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 8.1).

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

As at 31 March 2019, the authorized, issued and paid up share capital of the Company is SAR 472.5 million divided into 47.25 million shares of SAR 10 each. The founding shareholders of the Company have subscribed and paid for 19.50 million shares and the remaining 27.75 million shares have been subscribed by the general public. 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. Subsequent to 31 March 2019, the aforesaid reduction has been approved in the extra ordinary general meeting of shareholders held on 24 April 2019. Accordingly, the Company's share capital will be reduced to SAR 350.53 million (see note 34).

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 has 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. ORGANIZATION AND ACTIVITIES (CONTINUED)

General information (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.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The accompanying financial statements have been prepared in accordance 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).

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all periods presented except for IFRS 15 "Revenue from contracts with customers" and IFRS 9"Financial Instruments" which have been applied for the first time (Note 5).

b) *Basis of measurement*

These financial statements have been prepared on the historical cost basis of accounting using going concern basis.

As at 31 March 2019, the Company's current liabilities exceeds its current assets by SAR 583.38 million (31 March 2018: SAR 477.19 million). Moreover, the Company has accumulated losses amounting to SAR 250.26 million as of 31 March 2019, which approximate 52.97% of the Company's share capital, and the Company incurred a net loss of SAR 52.22 million for the year then ended.

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

c) *Functional and presentation currency*

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

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the legal Form of a lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

Other standards

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are as follows:

a) *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.

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.

b) *Intangibles*

Intangibles acquired separately are measured on initial recognition at cost. Following initial recognition, intangibles are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangibles and is recognized in profit or loss. The amortization is charged from the date the intangible is 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Intangibles (CONTINUED)

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 intangibles 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 an intangible when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers. They are amortized on a straight line basis over the life of the contract.

Computer software

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

Useful lives

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

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

c) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Impairment of non-financial assets (continued)*

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.

d) *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 introduces new classification and measurement requirements for 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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments (continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments (continued)*

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

ii) Financial liabilities

Derecognition of financial liabilities

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

e) 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.

f) 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.

g) 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 2019.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) 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.

i) Leases

Determining whether an arrangement contain a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leased assets

Asset held by the Company under lease that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance lease. The Company has not entered into any finance lease arrangements.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognized in profit and loss account on a straight line basis over the term of lease. Lease incentive received are recognized as an integral part of the total lease expense, over the term of lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) *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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) *Revenue recognition (continued)*

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.

k) *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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) *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.

m) *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 period, 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 period 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) *Zakat and income tax (continued)*

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.

n) *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 period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

o) *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.

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

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

a) *IFRS 9 Financial Instruments*

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

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

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 resulted increase in impairment allowances of the Company's debt financial assets. The increase in allowance resulted in adjustment to accumulated losses. The impact of the change in impairment methodology on the Company's equity as of 1 April 2018 is SAR 9,496,132. The impact on statement of profit or loss for the year ended 31 March 2019, resulting in increases of impairment losses on trade receivables amounting to SAR 3,331,967.

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) IFRS 15 Revenue from Contracts with Customers

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

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

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms.	Nature of the changes in accounting policy
Data and voice revenue	Revenue from data and voice services is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Company allocates transaction price to each distinct performance obligation based on respective standalone selling price. If performance obligations are not distinct, revenue is recognized over the contract term. Revenue from additional consumption is recognized when services are rendered.	The Company's revenue recognition policy is already in line with IFRS 15 and no change in required.
Installation and set-up fee revenue	The B2C services provided by the Company has one-time installation and set-up fee elements that is invoiced to the customer at the inception of the service. The Company identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone.	Previously, setup and installation fees were recognized as revenue, as and when they were invoiced to the customer. Under IFRS 15 such installation and set-up fee will be recognized as revenue over the average contract life.
Costs to obtain / fulfill contracts	The Company incurs costs that are solely incremental to - 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.	Previously, certain costs that were incurred in obtaining contracts (i.e. commission, sales incentives etc.) / fulfilling performance obligations under contracts with customers (i.e. sub-contractor costs) were charged to the statement of profit or loss as and when they were incurred. Under IFRS 15, all such costs that are incremental and incurred directly as a result of obtaining a contract / fulfilling obligations under a contract with a customer and are capitalized and amortized over the contract term, to the extent that the Company intends to recover such balances.

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9

The impact of adoption of IFRS 15 and IFRS 9 on the Company's financial statements for the year ended 31 March 2019 are set out in the following tables.

Impact on the statement of financial position as at 31 March 2019

ASSETS	Balance as per Financials	Adjustment IFRS 15	Adjustment IFRS 9	Balance without adoption of IFRS 15 & 9
Non-current assets				
Property and equipment	237,790,766	--	--	237,790,766
Intangibles	754,440,124	--	--	754,440,124
Total non-current assets	**992,230,890**	--	--	**992,230,890**
Current assets				
Inventories	1,097,665	--	--	1,097,665
Trade receivables	162,913,123	--	(3,331,967)	166,245,090
Prepayments and other current assets	135,567,511	--	--	135,567,511
Cash and cash equivalents	97,574,234	--	--	97,574,234
Total current assets	**397,152,533**	--	**(3,331,967)**	**400,484,500**
TOTAL ASSETS	**1,389,383,423**	--	**(3,331,967)**	**1,392,715,390**
EQUITY AND LIABILITIES				
Equity				
Share capital	472,500,000	--	--	472,500,000
Accumulated losses	(250,262,112)	(863,294)	(3,331,967)	(246,066,851)
Total equity	**222,237,888**	**(863,294)**	**(3,331,967)**	**226,433,149**
Liabilities				
Non-current liabilities				
Murabaha Financing	7,767,053	--	--	7,767,053
Long term accounts payable	112,770,461	--	--	112,770,461
Defined benefit obligation – employees' benefit	9,524,000	--	--	9,524,000
Decommissioning provisions	2,980,651	--	--	2,980,651
Deferred gain	53,571,450	--	--	53,571,450
Total non-current liabilities	**186,613,615**	--	--	**186,613,615**
Current liabilities				
Murabaha Financing – current portion	31,068,184	--	--	31,068,184
Accounts payable – short term	754,518,154	--	--	754,518,154
Accrued expenses and other current liabilities	145,560,804	--	--	145,560,804
Deferred gain – current portion	12,857,112	--	--	12,857,112
Deferred income	33,828,708	863,294	--	32,965,414
Provision for Zakat and tax	2,698,958	--	--	2,698,958
Total current liabilities	**980,531,920**	863,294	--	**979,668,626**
Total liabilities	**1,167,145,535**	863,294	--	**1,166,282,241**
TOTAL EQUITY AND LIABILITIES	**1,389,383,423**	--	(3,331,967)	**1,392,715,390**

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPACT OF ADOPTION OF IFRS 15 AND IFRS 9 (CONTINUED)

Impact on statement of profit or loss and other comprehensive income for the year ended 31 March 2019

	Balance as per Financials	Adjustment IFRS 15	Adjustment IFRS 9	Balance without adoption of IFRS 15 & 9
Revenue	421,090,940	863,294	--	420,227,646
Cost of services	(285,704,304)	--	--	(285,704,304)
Gross profit	**135,386,636**	**863,294**	**--**	**134,523,342**
Selling and marketing expenses	(38,181,996)	--	--	(38,181,996)
Depreciation and amortization	(74,417,692)	--	--	(74,417,692)
Allowance for impairment in trade receivables	(24,425,669)	--	(3,331,967)	(21,093,702)
General and administrative expenses	(73,736,633)	--	--	(73,736,633)
Other income	36,943,774	--	--	36,943,774
Operating profit / (loss)	**(38,431,580)**	**863,294**	**(3,331,967)**	**(35,962,907)**
Finance costs	(14,859,495)	--	--	(14,859,495)
Net profit / (loss) for the year	**(53,291,075)**	**863,294**	**(3,331,967)**	**(50,822,402)**
Other comprehensive income				
Items that will not be reclassified to profit or loss in subsequent periods				
Re-measurement gain on defined benefit obligation	1,076,000	--	--	1,076,000
Total comprehensive income / (loss) for the period	**(52,215,075)**	**863,294**	**(3,331,967)**	**(49,746,402)**

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

In preparing these financial statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are same as those described in the last annual financial statements of the Company except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are described in note 5 above.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

6. 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.

7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
Cost:						
Balance at 01 April 2017	3,670,619	1,149,632,766	2,663,250	32,621,626	11,907,058	1,200,495,319
Additions during the year	--	5,481,040	--	127,750	--	5,608,790
Disposals during the year	--	(104,142,944)	--	(7,300)	--	(104,150,244)
Transfers during the year	--	7,232,539	--	--	(7,232,539)	--
Balance at 31 March 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
Accumulated depreciation:						
Balance at 01 April 2017	3,670,619	837,871,482	300,768	26,972,927	--	868,815,796
Charge for the year	--	37,639,618	300,768	1,029,411	--	38,969,797
Eliminated on disposals	--	(62,064,842)	--	(5,558)	--	(62,070,400)
Balance at 31 March 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
Disposals during the year	--	--	--	(6,304)	--	(6,304)
Balance at 31 March 2019	3,670,619	833,233,293	902,288	28,892,035	--	866,698,235
Net book value:						
At 31 March 2019	--	227,531,629	1,760,962	3,868,656	4,629,519	237,790,766
At 31 March 2018	--	244,757,143	2,061,714	4,745,296	4,674,519	256,238,672

7.1 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 current year. Accordingly, network infrastructure costing SAR 104.1 million and having written down 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.

7. PROPERTY AND EQUIPMENT (continued)

7.2 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 2019. 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.

8. INTANGIBLES

	License	Network capacity (note 8.2)	Software	Total
Cost:				
Balance at 1 April 2017	527,904,000	519,184,677	52,164,807	1,099,253,484
Additions during the year	–	61,745,249	–	61,745,249
Balance at 31 March 2018	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the period	–	–	–	–
Balance at 31 March 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Accumulated amortization:				
Balance at 1 April 2017	165,663,896	91,833,094	43,604,827	301,101,817
Additions during the year	11,320,008	37,911,706	2,796,732	52,028,446
Balance at 31 March 2018	176,983,904	129,744,800	46,401,559	353,130,263
Additions during the period	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
Net book value:				
At 31 March 2019	339,600,092	411,873,509	2,966,523	754,440,124
At 31 March 2018	350,920,096	451,185,126	5,763,248	807,868,470

8.1 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).

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

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

9. INVENTORIES

	Note	31 March 2019	31 March 2018
Customer Premises Equipment and USB Dongles		**13,383,077**	13,244,181
Stores and spares		**1,298,895**	1,728,987
Prepaid cards		**366,205**	282,412
		15,048,177	15,255,580
Provision for obsolete and slow moving inventories	9.1	**(13,950,512)**	(13,649,362)
		1,097,665	1,606,218

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

	31 March 2019	31 March 2018
Balance at beginning of the year	**13,649,362**	8,200,508
Charge / Reclassification for the year	**301,150**	5,448,854
Balance at end of the year	**13,950,512**	13,649,362

10. TRADE RECEIVABLES

	Note	31 March 2019	31 March 2018
Trade receivables	10.1	**228,226,427**	210,093,408
Allowance for impairment	10.2	**(65,313,304)**	(31,391,503)
		162,913,123	178,701,905

10.1 Trade receivables include an amount of SAR 33,746,093 (31 March 2018: SAR 25,291,796) due from related parties (Note 30). The age analysis of trade receivables which are not impaired, is shown in note 31.

10.2 Movement in provision for doubtful receivables is as follows:

	31 March 2019	31 March 2018
Balance at beginning of the year	**31,391,503**	16,430,396
Adjustment on initial application of IFRS 9	**9,496,132**	--
Charge for the year	**24,425,669**	14,961,107
Balance at end of the year	**65,313,304**	31,391,503

11. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 March2019	31 March 2018
Prepayments		**3,391,535**	6,894,570
Receivable from STC	11.1	**97,800,000**	72,600,001
Margins held by banks against letters of guarantee issued		**9,477,121**	9,039,025
Value Added Tax refundable – net		**13,036,684**	3,157,257
Advances to suppliers		**2,615,697**	2,311,515
Advances to employees		**1,024,544**	652,117
Other receivables		**8,221,930**	306,170
		135,567,511	94,960,655

11.1 This represents receivable from STC in respect of rendering of marketing support services (see note 25.1).

12. CASH AND CASH EQUIVALENTS

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

13. MURABAHA FINANCING

This represents Murabah financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements of the Company. The Murabaha 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 5 equal quarterly installments ending April 2020.

	31 March 2019	31 March 2018
Current portion	**31,068,184**	31,068,119
Non-current potion	**7,767,053**	38,835,177
	38,835,237	69,903,296

14. LONG TERM ACCOUNTS PAYABLE

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

The movement in long term accounts payable is as follows:

	Note	31 March 2019	31 March 2018
Balance at the beginning of the year		**213,516,948**	381,449,394
Addition during the year		--	47,525,249
Unwinding of discount for the year	26	**10,316,028**	14,542,305
		223,832,976	443,516,948
Liability settled through sale of towers		--	(230,000,000)
Balance at the end of the year		**223,832,976**	213,516,948

14. LONG TERM ACCOUNTS PAYABLE (continued)

	Note	31 March 2019	31 March 2018
Current Portion	17	111,062,515	30,312,500
Non-current portion		112,770,461	183,204,448
Balance at the end of the year		**223,832,976**	213,516,948

15. DEFINED BENEFIT OBLIGATION – EMPLOYEES' BENEFIT

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

	31 March 2019	31 March 2018
Balance at beginning of the year	**11,628,000**	13,386,200
Current service cost	**1,812,000**	2,174,003
Interest cost	**431,000**	481,000
Amount recognized in profit or loss account	**2,243,000**	2,655,003
Re-measurement loss recognized in other comprehensive income *(note 15.2)*	**(1,076,000)**	(3,614,203)
Benefits paid during the year	**(3,271,000)**	(799,000)
Balance at the end of the year	**9,524,000**	11,628,000

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

	31 March2019	31 March 2018
Gain resulting from the change in financial assumptions	**1,223,000**	1,560,000
Gain resulting from the change in demographic assumptions	--	1,512,000
(loss) / Gain resulting from Experience Adjustments	**(147,000)**	542,203
Actuarial gains and losses	**1,076,000**	3,614,203

15.3 *Principal actuarial assumptions*

The following were the principal actuarial assumptions:

	31 March 2019	31 March 2018
Key actuarial assumptions		
Discount rate used	**3.50%**	3.65%
Future growth in salary	**0.50%**	2.50%
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 2019	
	Increase	**Decrease**
Discount rate (1% movement)	**(537,000)**	**614,000**
Future salary growth (1% movement)	**627,000**	**(557,000)**

15. DEFINED BENEFIT OBLIGATION – EMPLOYEES' BENEFIT (continued)

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.

16. DECOMMISSIONING PROVISIONS

	Note	**31 March 2019**	31 March 2018
Balance at the beginning of the year		**2,870,856**	2,765,106
Unwinding of discount for the year	26	**109,795**	105,750
Balance at the end of the year		**2,980,651**	2,870,856

17. ACCOUNTS PAYABLE

	Note	31 March 2019	**31 March 2018**
Trade payables	17.1	643,455,639	555,721,090
Current portion of long term accounts payable	14	111,062,515	30,312,500
		754,518,154	586,033,590

17.1 Trade payables include an amount of SAR 28,760,547 (March 2018: SAR 29,082,805) due to related parties (Note 30).

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	**31 March 2019**	**31 March 2018**
Government fees	18.1	**66,029,531**	62,889,861
Capacity lease		**29,575,070**	23,265,505
Voice interconnection		**23,528,013**	17,119,228
Electricity		**4,313,000**	7,033,054
Employees' related expenses		**6,857,101**	7,025,639
Others		**15,258,089**	13,798,988
		145,560,804	131,132,275

18.1 This represents amounts accrued in respect of royalty fees payable to CITC. As more fully explained in note 28a.

19. DEFERRED INCOME

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

20. PROVISION FOR ZAKAT AND TAX

The balance of zakat and tax provision as at March 31,2019 amounted to SAR 2,698,958 (2018:2,698,958).

20.1 Computation of Zakat and tax

		31 March 2019	31 March2018
Adjusted loss			
Net loss for the year		(53,291,075)	(36,647,362)
Adjustments: Provisions and others		(5,635,401)	(146,442,352)
Adjusted loss for the year		(58,926,476)	(183,089,714)
Saudi shareholders' share of adjusted loss @ 96%	(A)	(56,569,417)	(175,766,125)
Additions			
Share capital		472,500,000	1,575,000,000
Murabaha financing		38,835,171	69,903,296
Long term payables		112,770,461	183,204,448
Provisions		90,994,011	100.542,597
		715,099,643	1,928,650,341
Deductions			
Accumulated losses at beginning of year		(250,262,112)	(1,254,403,543)
Net book value of property and equipment at end of year		(474,490,091)	(585,324,011)
		(9,652,560)	88,922,787
Share of Saudi shareholders @ 96%		(9,266,458)	85,365,875
Saudi shareholders' share of adjusted loss		(56,569,417)	(175,766,125)
Zakat base	(B)	(65,835,875)	(90,400,250)
Zakat base for the year – higher of (A) or (B)		(65,835,875)	(90,400,250)
Zakat charge for the year at 2.5% of Zakat base		–	–

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

20.3 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 2018.

In July 2015, the GAZT raised zakat and withholding tax (WHT) assessment for the years 2010 to 2012 amounting to SAR 17.43 million and SAR 0.83 million respectively. The Company filed an appeal with the GAZT against the assessments in August 2015.

In response to appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued ruling in October 2016 based on which the Company's zakat liability was reduced to SR 6.98 million while the WHT liability remained the same at SAR 0.83 million. The Company was also liable to pay fine of SAR 0.6 million as per the PAC ruling, on making delay in the payment of WHT.

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 2018 are still under review by the GAZT.

21. REVENUE

	31 March 2019	31 March 2018
Usage and activation revenue	321,479,982	358,635,520
Voice interconnection revenue	99,610,958	121,185,293
	421,090,940	479,820,813

22. COST OF SERVICES

	31 March 2019	31 March 2018
Capacity lease charges	115,376,989	144,751,211
Voice interconnection charges	71,994,515	119,490,998
Site rentals and utilities	53,992,155	55,376,165
Inventory consumption and installation	5,899,929	29,860,456
Network maintenance and support	12,389,996	20,164,024
Government fees	8,554,316	11,049,402
Employees' costs	15,675,776	6,200,078
Other	1,820,628	1,993,656
	285,704,304	388,885,990

23. SELLING AND MARKETING EXPENSES

	31 March 2019	31 March 2018
Employees' costs	21,922,068	44,317,488
Point of display sales staff	--	15,662,275
Dealers' commission	13,769,171	17,496,107
Customer care	2,290,309	1,972,476
Point of display and flagship rental	79,252	893,358
Other	121,196	2,527,228
	38,181,996	82,868,932

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 March 2019	31 March 2018
Performance bond encashed by CITC	1c	--	50,000,000
Government fees	28a	21,252,904	4,682,199
Employees' costs		33,291,076	16,004,773
Professional and consultancy charges		2,901,309	12,239,792
Office rent		3,749,220	3,749,220
Network maintenance and support		6,836,093	--
Medical, visa and iqama charges		2,892,716	3,263,449
Utilities charges		415,826	2,431,452
Computer accessories and software		107,196	480,964
Other		2,290,293	7,458,474
		73,736,633	100,310,323

25. OTHER INCOME

	Note	31 March 2019	31 March 2018
Gain on disposal of property and equipment		--	97,920,156
Marketing support income	25.1	24,000,000	48,000,000
Reversed Excess provision		--	18,567,903
Amortization of deferred gain on sale of property and equipment		12,857,148	10,714,290
Others		86,626	3,133,344
		36,943,774	178,335,693

25.1 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.

26. FINANCE COSTS

	Note	31 March 2019	31 March 2018
Unwinding of discount on long term liability	14	10,316,028	14,542,305
Murabaha financing costs		2,316,378	3,050,600
Net interest on defined benefit liability	15.1	431,000	481,000
Guarantee fee to the founding shareholders		176,106	250,880
Unwinding of provision for dismantling cost	16	109,795	105,750
Other		1,510,188	1,962,941
		14,859,495	20,393,476

27. LOSS PER SHARE – BASIC AND DILUTED

	Note	31 March 2019	31 March 2018
Net loss for the year		(53,291,075)	(40,261,565)
Weighted average number of shares for the year	27.2	47,250,000	47,250,000
Basic and diluted loss per share	27.1	(1.13)	(0.85)

27.1 Loss per share is computed by dividing net loss attributable to the ordinary shareholders of the Company for the years ended 31 March 2019 and 31 March 2018, by the weighted average number of shares outstanding during the year ended 31 March 2019.

27.2 The weighted average number of shares for the years ended 31 March 2019 and 31 March 2018 have been arrived at by taking the effect of reduction in the share capital from the beginning of the earliest period presented (i.e. 1 April 2017), in order to comply with the requirements of IAS 33.

Number of issued shares on 1 April 2017	157,500,000
Number of shares cancelled	(110,250,000)
Weighted average number of shares on 1 April 2017	**47,250,000**

28. CONTINGENCIES AND COMMITMENTS

a) *Contingencies*

Letter of guarantees

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

Legal cases status

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

CITC liability

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

b) *Commitments*

The Company has commitments resulting from major agreements which were entered into and not yet executed at the reporting date amounting approximately to SAR 159 million (31 March 2018: SAR 90.6 million) pertaining to the various vendors.

c) *Operating leases*

The Company has various operating leases for its offices, warehouses and operational facilities. Rental expenses for the year ended 31 March 2019 amounted to SAR 54.07 million (31 March 2018: SAR 46.5 million).

Future rental commitments at 31 March 2019 under these non-cancellable operating leases are as follows:

Year ending 31 March:	**SAR**
2020	2,543,400
2021	484,800
2022	353,800
2023 and hereafter	547,000
	3,929,000

29. 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.

		As at 31 March 2019		
Segment assets	**Voice**	**Data**	**Unallocated**	**Total**
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		
Segment revenue and costs	**Voice**	**Data**	**Unallocated**	**Total**
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
Finance cost	--	--	(14,859,495)	(14,859,495)

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

		For the year ended 31 March 2018		
(Segment revenue and costs)	**Voice**	**Data**	**Unallocated**	**Total**
Revenue	141,105,084	338,715,729	--	479,820,813
Cost of services	(216,811,651)	(172,074,339)	--	(388,885,990)
Selling and marketing expenses	(1,657,379)	(81,211,553)	--	(82,868,932)
Depreciation and amortization	(2,376,690)	(88,621,553)	--	(90,998,243)
Allowance for impairment in trade receivables	(299,222)	(14,661,885)	--	(14,961,107)
General and administrative expenses	(895,980)	(33,417,232)	(65,997,111)	(100,310,323)
Other income	--	--	178,335,693	178,335,693
Finance cost	--	(14,542,305)	(5,851,171)	(20,393,476)

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

30. 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 2019	For the year ended 31 March 2018
Atheeb Maintenance and Services	Shareholder	Data revenue	60,533	57,670
Atheeb Saudi Intergraph Company Limited	Affiliate	Data revenue	219,920	218,266
Bahrain Telecommunication Company	Shareholder	Data revenue	8,988,317	5,146,675
		Interconnection revenue	3,063,191	963,352
		Interconnection cost	1,902,055	4,456,273
Bithar Trading Company Limited	Shareholder	Data revenue	224,490	321,814
Ithraa Capital Company	Affiliate	Consultancy	-	9,792,190
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	3,226,022	1,035,642
Etihad Shams Company Limited	Affiliate	Data revenue	39,452	55,405
Founding shareholders	Shareholder	Guarantee fee	176,106	250,880
Key management personnel		Salaries and benefits	2,304,000	2,806,500
Board of Directors		Expenses	94,933	189,553

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

Due from related parties	***Relationship***	31 March 2019	31 March 2018
Bahrain Telecommunications Company	Shareholder	30,784,726	21,103,068
Bithar Trading Company Limited	Shareholder	132,695	2,222,334
Saudi Arabian Marketing and Agencies Limited	Affiliate	2,709,334	1,807,147
Atheeb Saudi Intergraph Company Limited	Affiliate	56,990	109,495
Atheeb Maintenance and Services	Shareholder	39,738	19,420
Etihad Shams Company Limited	Affiliate	22,610	30,333
		33,746,093	25,291,796

30. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Due to related parties	*Relationship*	31 March 2019	31 March 2018
Bahrain Telecommunications Company	Shareholder	**26,912,022**	24,969,329
Bithar Trading Company Limited	Shareholder	**20,625**	1,092,269
Traco Company Trading and Contracting Company	Shareholder	**913,075**	896,818
Saudi Internet Company Limited	Shareholder	**256,780**	672,612
Bithar Communications & Information Technology Company Limited	Shareholder	**256,780**	672,612
Atheeb Maintenance and Services Company Limited	Shareholder	**256,780**	672,612
Al Nahla Trading and Contracting Company Limited	Shareholder	**144,485**	106,553
		28,760,547	29,082,805

31. 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

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.

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

ii. Financial risk management (Continued)

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 2019	31 March 2018
Trade receivables *(note 10)*	**162,913,123**	178,701,905
Other current assets *(note 11)*	**135,567,511**	82,597,313
Cash at bank *(note 12)*	**97,574,234**	53,880,263
	396,054,868	315,179,481

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:

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**

2018	Government	Non-government	Total
Neither past due nor impaired	1,596,161	88,191,361	89,787,522
Past due but not impaired:			
0-180 days	4,261,557	38,513,512	42,775,069
Over 180 days	2,224,680	43,914,634	46,139,314
Total trade receivables	8,082,398	170,619,507	178,701,905

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.

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

ii. Financial risk management (Continued)

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.

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 2019, the Company's current liabilities exceeds its current assets by SAR 583 million (31 March 2018: SAR 477 million).

Analysis of financial liabilities by remaining contractual maturities

The Company has 3 major payables representing 84% of total accounts payable as at 31 March 2018. 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 2018 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.

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

ii. Financial risk management (Continued)

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

2018	*Within 3 Months*	*3 to 12 months*	*1 to 5 years*	*No fixed maturity*	*Total*
Murabaha Financing	7,767,040	23,301,079	38,835,177	--	69,903,296
Accounts payable	555,721,090	--	--	--	555,721,090
Long term accounts payable	9,562,500	20,750,000	183,204,448	--	213,516,948
Accrued expenses and other current liabilities	131,132,275	--	--	--	131,132,275
	704,182,905	44,051,079	222,039,625	--	970,273,609

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.

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

ii. Financial risk management (Continued)

Sensitivity analysis

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

	31 March 2019	
	Increase	**Decrease**
Special commission rate (0.25% movement)	132,687	(132,687)

32. 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.0000

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.

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

	31 March 2019	31 March 2018
Loan and notes payables	**179,666,419**	283,420,244
Less: Cash and cash equivalents	**(97,574,234)**	(53,880,263)
Net debts	**82,092,185**	229,539,981
Total equity	**222,237,888**	283,949,095
Net debt to equity	**0.37**	0.81

33. STATUTORY RESERVE

In accordance with the Company's bylaws the Company is required set aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. No such transfer is made as the Company is in losses.

34. SUBSEQUENT EVENTS

Subsequent to 31 March 2019, the extra ordinary general meeting of shareholders has approved the capital reduction on 24 April 2019 based on the recommendation of the Board of Directors on 27 March 2019. Accordingly, the Company's share capital will be reduced to SAR 350.53 million.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 30 Rabi Alawal 1441H (Corresponding to 27 November 2019).